KREDYT INKASO

The Kredyt Inkaso Group

Full-year consolidated financial statements for the 12 months ended **31 March 2022**

Warsaw, 30 June 2022

SELECTED FINANCIAL DATA OF THE GROUP 3
CONSOLIDATED STATEMENT OF PROFIT OR LOSS 4
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION 6
CONSOLIDATED STATEMENT OF CASH FLOWS 8
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 10
1. General information 10
2. Basis of preparation of the consolidated financial statements and accounting policies 12
3. Operating segments 29
4. Geographical information 30
5. Net revenue 31
6. Costs 32
7. Finance income and costs 33
8. Income tax 33
9. Intangible assets and property plant and equipment 34
10. Investment property 40
11. Other financial assets 40
12. Purchased debt 40
13. Receivables and loans 41
14. Deferred tax assets and liabilities 42
15. Financial instruments 43
16. Cash and cash equivalents 45
17. Equity 45
18. Loans and other debt instruments 51
19. Lease liabilities 54
20. Current prepayments and accrued income 54
21. Current accruals and deferred income 54
22. Trade and other payables 55
23. Other short-term provisions 55
24. Note to the statement of cash flows 56
25. Financial risk management 56
26. Capital management 61
27. Significant related-party transactions 61
28. Employment at the Group 63
29. Remuneration of auditors 64
30. Contingent liabilities, guarantees, sureties and security interests over the Group's assets 64
31. Court, enforcement, tax and other proceedings 65
32. Material events after the reporting period 68
33. Factors and events, including of a non-recurring nature, with a material bearing on the financial statements 69
34. Other information relevant to the assessment of the staffing levels, assets and financial standing 69
35. Authorisation for issue 70

SELECTED FINANCIAL DATA OF THE GROUP

	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021
	PLN thousand		EUR thousand	
Selected financial ratios				
Net financial debt	281,354	380,503	60,474	81,648
Equity	300,587	263,382	64,608	56,516
Net financial debt / equity	0.94	1.44	0.94	1.44
PLN/EUR exchange rate at the reporting date	4.6525	4.6603	4.6525	4.6603
Consolidated statement of financial position				
Total assets	733,294	764,596	157,613	164,066
Total liabilities	432,707	501,214	93,005	107,550
Non-current liabilities	255,534	329,582	54,924	70,721
Current liabilities	177,173	171,632	38,081	36,829
Equity	300,587	263,382	64,608	56,516
Equity attributable to owners of the parent	299,883	262,379	64,456	56,301

	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Consolidated statement of profit or loss				
Net revenue	198,117	200,301	43,104	44,333
Operating profit/(loss)	62,488	86,414	13,595	19,126
Profit/(loss) before tax	39,801	55,646	8,659	12,316
Net profit/(loss)	31,488	45,460	6,851	10,062
Net profit/(loss) attributable to owners of the parent	30,738	45,083	6,688	9,978
Earnings/(loss) per share in PLN	2.38	3.50	0.52	0.77
Diluted earnings/(loss) per share in PLN	2.38	3.50	0.52	0.77
Average PLN/EUR exchange rate in the period	4.5963	4.5181	4.5963	4.5181
Consolidated statement of cash flows				
Net cash (used in)/from operating activities	165,077	120,177	35,915	26,599
Net cash (used in)/from investing activities	(28,231)	(15,003)	(6,142)	(3,321)
Net cash (used in)/from financing activities	(112,664)	(62,566)	(24,512)	(13,848)
Net increase/(decrease) in cash and cash equivalents	24,182	42,608	5,261	9,431
Average PLN/EUR exchange rate in the period	4.5963	4.5181	4.5963	4.5181

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021 restated
Continuing operations			
Net revenue			
Interest income on debt portfolios calculated using the effective interest method		120,178	125,622
Revaluation of debt portfolios	5.1	71,024	68,584
Other revenue / costs	5.2	6,915	6,095
Total net revenue		**198,117**	**200,301**
Employee benefits expense		(48,106)	(41,223)
Depreciation and amortisation		(6,971)	(6,457)
External services		(40,200)	(37,344)
Other expenses		(40,352)	(28,863)
Total operating expenses	**6**	**(135,629)**	**(113,887)**
Operating profit/(loss)		**62,488**	**86,414**
Finance income, including:	7	10,518	2,020
interest on instruments measured at amortised cost		541	264
Finance costs, including:	7	(33,205)	(32,788)
interest on instruments measured at amortised cost		(24,419)	(23,265)
Profit/(loss) before tax		**39,801**	**55,646**
Income tax	8	(8,313)	(10,186)
Net profit/(loss) from continuing operations		**31,488**	**45,460**
Net profit/(loss) from discontinued operations		**-**	**-**
Net profit/(loss)		**31,488**	**45,460**
Net profit attributable to:			
Owners of the parent		30,738	45,083
Non-controlling interests		750	377

Earnings/(loss) per share (PLN)			
From continuing and discontinued operations:			
basic	17.5	2.38	3.50
diluted	17.5	2.38	3.50
From continuing operations:			
basic	17.5	2.38	3.50
diluted	17.5	2.38	3.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Net profit/(loss)		**31,488**	**45,460**
Gains/(losses) recognised in the period in other comprehensive income	25.4	3,199	(3,966)
Amounts transferred to profit or loss	25.4	8,154	8,379
Income tax	25.4	(2,157)	(838)
Exchange differences on translation of foreign operations	17.6	(2,430)	1,133
Other comprehensive income		**6,766**	**4,708**
Total comprehensive income		**38,254**	**50,168**
Comprehensive income attributable to:			
owners of the parent		37,504	49,791
non-controlling interests		750	377

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	Note	31 Mar 2022	31 Mar 2021
Goodwill	9.1	7,773	10,623
Intangible assets	9.2	8,787	7,328
Property, plant and equipment	9.3	14,309	16,269
Investment property	10	13,029	11,987
Receivables and loans	13	656	441
Derivative financial instruments	25.4	2,902	-
Other non-current financial assets	11	1,600	2,756
Non-current assets		**49,056**	**49,404**
Trade and other receivables	25.2	7,936	8,777
Current income tax receivables		1,260	2,205
Purchased debt	12	575,287	628,615
Loans	13	29	29
Other current financial assets	11	587	460
Prepayments and accrued income	20	916	1,065
Cash and cash equivalents	16	98,223	74,041
Current assets		**684,238**	**715,192**
Total assets		**733,294**	**764,596**

Equity and liabilities	Note	31 Mar 2022	31 Mar 2021 restated
Share capital	17.1	12,897	12,897
Reserves		105,691	114,363
Revaluation reserve		1,468	(7,728)
Translation reserve	17.6	(5,100)	(2,670)
Retained earnings, including	17.7	184,927	145,517
net profit attributable to owners of the parent		30,738	45,083
profit carried forward		154,189	100,434
Equity attributable to owners of the parent		**299,883**	**262,379**
Non-controlling interests	17.8	704	1,003
Total equity		**300,587**	**263,382**
Loans and other debt instruments	18	242,710	323,689
Lease liabilities	19	6,136	4,416
Deferred tax liabilities	14	6,688	1,477
Non-current liabilities		**255,534**	**329,582**
Trade and other payables	22	30,126	12,495
Current income tax liabilities		219	-
Loans and other debt instruments	18	128,252	123,042
Lease liabilities	19	2,479	3,397
Derivative financial instruments	25.4	3,659	24,822
Other short-term provisions	23	8,472	4,784
Current accruals and deferred income	21	3,966	3,092
Current liabilities		**177,173**	**171,632**
Total liabilities		**432,707**	**501,214**
Total equity and liabilities		**733,294**	**764,596**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Profit/(loss) before tax		**39,801**	**55,646**
Adjustments for:			
Depreciation of and impairment loss on property, plant and equipment	9.3	3,765	4,133
Amortisation and impairment of intangible assets	9.2	3,206	2,324
Purchased debt – difference between collections and interest income	12	158,812	96,996
Purchased debt – revaluation	5.1	(71,024)	(68,584)
Gain/(loss) on disposal of non-financial non-current assets		(1,372)	2,795
Finance costs		33,205	32,788
Finance income		(10,518)	(2,020)
Currency translation differences	24	(677)	(75)
Other adjustments		6,706	1,542
Total adjustments		**122,103**	**69,899**
Change in receivables		1,600	12,039
Change in liabilities		5,248	(24,849)
Change in provisions, accruals and prepaid expenses		(217)	11,469
Cash generated by operations		**168,535**	**124,204**
Income taxes paid		(3,458)	(4,027)
Net cash (used in)/from operating activities		**165,077**	**120,177**
Purchase of debt portfolios	13	(22,839)	(13,052)
Sale of debt portfolios	13	-	600
Proceeds on disposal of investment property	10	5,020	2,671
Proceeds on disposal of other financial assets		844	844
Acquisition of a subsidiary, net of cash acquired		(2,078)	-
Purchase of intangible assets	9.2	(4,724)	(1,098)
Purchase of property, plant and equipment	9.3	(1,621)	(4,365)
Purchase of investment property	10	(2,882)	(1,964)
Other finance income		-	1,156
Interest received		49	205
Net cash (used in)/from investing activities		**(28,231)**	**(15,003)**
Proceeds from loans		27,172	145,780
Proceeds on issue of debt securities		20,452	-
Redemption of debt securities		(92,337)	(8,346)
Payments under settlement of hedging transactions		(11,761)	(7,201)
Repayment of loans		(28,182)	(163,998)
Repayment of lease liabilities		(2,553)	(3,413)
Interest paid		(24,406)	(23,960)
Dividends paid to owners		(862)	(1,428)
Other finance income		(187)	-
Net cash (used in)/from financing activities		**(112,664)**	**(62,566)**
Net increase/(decrease) in cash and cash equivalents		**24,182**	**42,608**
Cash and cash equivalents at beginning of period		**74,041**	**31,433**
Effect of foreign exchange rate changes		-	-
Cash and cash equivalents at end of period		**98,223**	**74,041**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserves	Revaluation reserve	Translation reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At 1 April 2021	**12,897**	**114,363**	**(7,728)**	**(2,670)**	**145,517**	**262,379**	**1,003**	**263,382**
Changes in the Group's structure (transactions with non-controlling interests)	-	-	-	-	-	-	(187)	(187)
Dividends	-	-	-	-	-	-	(862)	(862)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(1,049)**	**(1,049)**
Net profit	-	-	-	-	30,738	30,738	750	31,488
Other comprehensive income	-	-	9,196	(2,430)	-	6,766	-	6,766
Total comprehensive income	**-**	**-**	**9,196**	**(2,430)**	**30,738**	**37,504**	**750**	**38,254**
Allocation of profit	-	(8,672)	-	-	8,672	-	-	-
At 31 March 2022	**12,897**	**105,691**	**1,468**	**(5,100)**	**184,927**	**299,883**	**704**	**300,587**

	Share capital	Reserves	Revaluation reserve	Translation reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At 1 April 2020	**12,897**	**151,496**	**(11,303)**	**(3,803)**	**63,301**	**212,588**	**2,110**	**214,698**
Changes in the Group's structure (transactions with non-controlling interests)	-	-	-	-	-	-	(56)	(56)
Dividends	-	-	-	-	-	-	(1,428)	(1,428)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(1,484)**	**(1,484)**
Net profit	-	-	-	-	45,083	45,083	377	45,460
Other comprehensive income	-	-	3,575	1,133	-	4,708	-	4,708
Total comprehensive income	**-**	**-**	**3,575**	**1,133**	**45,083**	**49,791**	**377**	**50,168**
Allocation of profit	-	(37,133)	-	-	37,133	-	-	-
At 31 March 2021	**12,897**	**114,363**	**(7,728)**	**(2,670)**	**145,517**	**262,379**	**1,003**	**263,382**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

1.1. Parent

Kredyt Inkaso Group (the "Group") is controlled by the parent – Kredyt Inkaso Spółka Akcyjna (the "Parent", the "Company").

Registered office of the Company	02-672 Warsaw, ul. Domaniewska 39, Poland
Place of business	02-672 Warsaw, ul. Domaniewska 39, Poland
Name	Kredyt Inkaso Spółka Akcyjna
Legal form	Spółka Akcyjna (joint-stock company)
Registry Court	District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, Poland
Date of registration	28 December 2006 in the present legal form (*spółka akcyjna*, joint-stock company)
	19 April 2001 in the previous legal form (*spółka komandytowa*, limited partnership)
Number in the National Court Register (KRS)	0000270672
Business Identification Number (REGON)	951078572
Tax Identification Number (NIP)	922-254-40-99
Business in accordance with the Polish Classification of Economic Activities (PKD):	64.99.Z – Other financial service activities, except insurance and pension funding n.e.c.

The Parent's core business is the management of securitised debt portfolios purchased by Group subsidiaries and by external investment funds whose debt portfolios have been entrusted for management. The Group entities purchase debt portfolios both in Poland and abroad. The Group collects debt mainly from natural persons through an amicable or legal process.

The ultimate parent of the company is Waterland Private Equity Investments B.V.

1.2. Composition of management and supervisory bodies of the Parent as at the date of approval of these financial statements

1.2.1. Management Board

Maciej Jerzy Szymański	President of the Management Board
Barbara Anna Rudziks	Vice-President of the Management Board
Iwona Jolanta Słomska	Vice-President of the Management Board
Tomasz Andrzej Kuciel	Member of the Management Board

Changes in the composition of the Management Board:

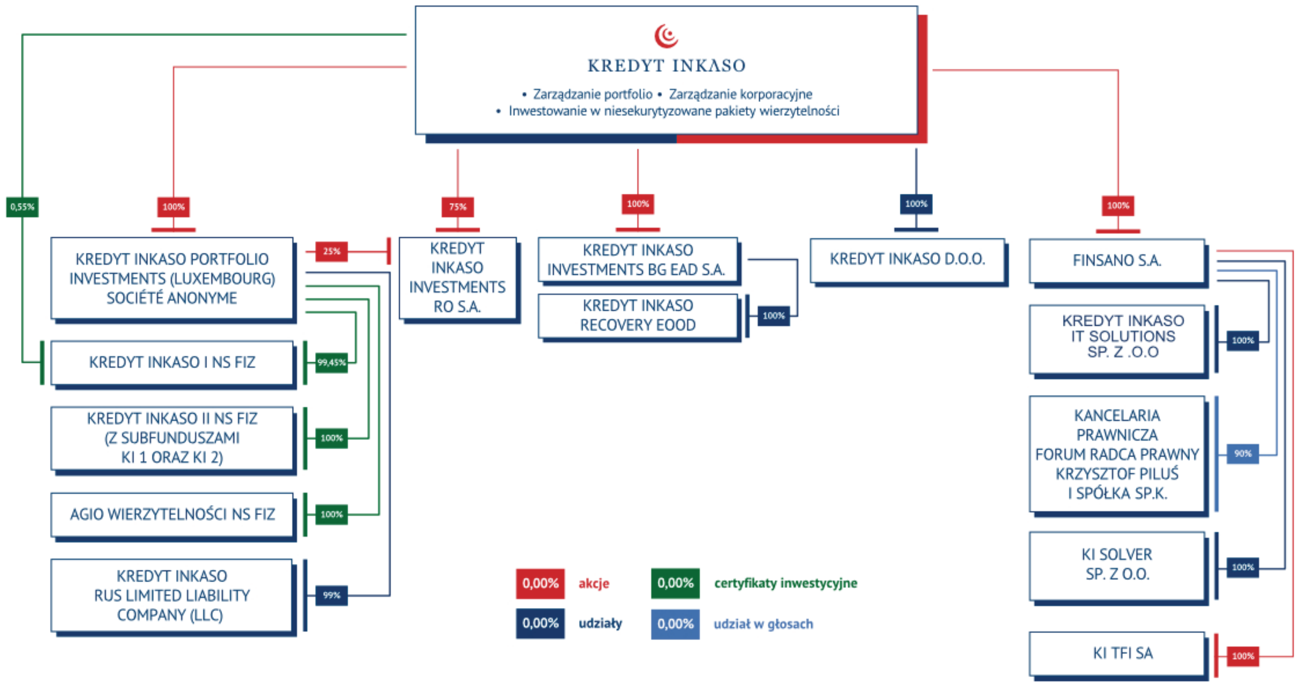
- On 17 May 2021, Ms Iwona Słomska was appointed as Vice-President of the Management Board.
- On 11 May 2022, Mr Tomasz Kuciel tendered his resignation as Member of the Management Board with effect from 11 July 2022.

1.2.2. Supervisory Board

Bogdan Dzudzewicz	Chairman
Marcin Okoński	Deputy Chairman
Daniel Dąbrowski	Member
Karol Szymański	Member
Karol Sowa	Secretary

The composition of the Supervisory Board did not change in the current reporting period. The Extraordinary General Meeting was held on 25 April 2022, which appointed the current members of the Supervisory Board for a new term of office.

1.3. The Group



The organisational structure of the Group at the reporting date.

Kredyt Inkaso S.A. is the parent of the Group. The Group is composed of: Kredyt Inkaso S.A. as the parent and subsidiaries operating in Poland, Luxembourg, Romania, Bulgaria, Croatia and Russia.

Name of entity	Registered office	Ownership interest	Number of voting rights	Core business
Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka Sp.k.	Warsaw, Poland	84%	90%	Legal activities
Finsano S.A.	Warsaw, Poland	100%	100%	Holding activities and acquisition of property in the course of enforcement proceedings or collection activities, trade in such property, its development and commercialisation
Kredyt Inkaso IT Solutions Sp. z o.o. (previously: Legal Process Administration Sp. z o.o.)	Warsaw, Poland	100%	100%	Provision of IT services

Name of entity	Registered office	Ownership interest	Number of voting rights	Core business
Kredyt Inkaso Investments RO S.A.	Bucharest, Romania	100%	100%	Investing in debt portfolios, servicing of debt assets
Kredyt Inkaso Investments BG EAD S.A.	Sofia, Bulgaria	100%	100%	Investing in debt portfolios, servicing of debt assets
Kredyt Inkaso RUS Limited Liability Company (LLC)	Moscow, Russia	99%	99%	Investing in debt portfolios, servicing of debt assets
Kredyt Inkaso RECOVERY EOOD	Sofia, Bulgaria	100%	100%	Investing in debt portfolios, servicing of debt assets
Kredyt Inkaso d.o.o.	Zagreb, Croatia	100%	100%	Investing in debt portfolios, servicing of debt assets
Kredyt Inkaso Portfolio Investments (Luxembourg) Société Anonyme	Luxembourg	100%	100%	Investing in debt portfolios, investing in securities carrying risks based on debt claims
Kredyt Inkaso I NSFIZ	Warsaw, Poland	100%	100%	Investing in debt portfolios
Kredyt Inkaso II NSFIZ	Warsaw, Poland	100%	100%	Investing in debt portfolios
KI Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna	Warsaw, Poland	100%	100%	Creation and management of investment funds
AGIO Wierzytelności NSFIZ	Warsaw, Poland	100%	100%	Investing in debt portfolios
KI Solver Sp. z o.o. (previously Advisers Sp. z o.o.)	Warsaw, Poland	100%	100%	Servicing of debt assets

The Group controls investment funds based on shares carrying the right to pass all resolutions at the Meeting of Investors.

Changes in the Group's structure:

- On 31 May 2021, the subsidiary Finsano S.A. acquired 100% of the shares of KI Solver Sp. z o.o. (previously: Advisers Sp. z o.o.), which holds a licence dated 28 October 2010 to manage securitised receivables of securitisation funds and operates in the credit management industry;
- On 21 June 2021, Legal Process Administration Sp. z o.o. changed its name to Kredyt Inkaso IT Solutions Sp. z o.o.;
- On 4 October 2021, KI Towarzystwo Funduszy Inwestycyjnych S.A. was established, in which 100% of shares was acquired by the Company;
- On 21 January 2022, shares in KI Towarzystwo Funduszy Inwestycyjnych S.A. were sold to Finsano S.A.;
- On 17 February 2022, Advisers Sp. z o.o. changed its name to KI Solver Sp. z o.o.

2. Basis of preparation of the consolidated financial statements and accounting policies

2.1. Basis of preparation of the consolidated financial statements

The financial year begins on 1 April and ends on 31 March of the following year. Full-year consolidated financial statements of the Group cover the 12 months ended 31 March 2022 and comprises:

- comparative information for the 12 months ended 31 March 2021 for the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows;
- comparative information at 31 March 2021 for the statement of financial position.

These full-year consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and International Accounting Standards and their interpretations ("IFRS"), which were added to the European Union law through regulations of the European Commission ("EU"). Where the above standards and interpretations do not apply, they comply with the requirements of the Accounting Act of 29 September 1994 (consolidated text in Journal of Laws of 2021, item 217, as amended) ("Accounting Act") and the regulations issued thereunder. In these financial statements, the Company has applied the requirements of all standards and related interpretations endorsed by the EU, with the exception of the following standards and interpretations which await endorsement by the EU, or have been endorsed by the EU but are or will be effective after the reporting date. In the period covered by these financial statements, the Group did not choose to apply early the standards and interpretations which have been endorsed by the EU but are or will be effective after the reporting date.

The reporting currency in these full-year consolidated financial statements is the Polish złoty and all amounts are expressed in thousands of Polish złoty, unless indicated otherwise.

The consolidated financial statements for the comparative period ended 31 March 2022 include the financial statements of the Parent and the financial statements of its subsidiaries.

These full-year consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. At the date of authorisation of these full-year consolidated financial statements for issue, no facts or circumstances existed that would indicate any threat to the Group companies continuing as going concerns.

All the companies comprising the Group have been established for indefinite time. For consolidation purposes, the financial statements of all subordinates have been prepared for the same period as the Parent's financial statements, using uniform accounting policies. These consolidated financial statements include adjustments to ensure that the financial statements of individual Group companies comply with IAS.

On 24 February 2022, the armed forces of the Russian Federation entered the territory of Ukraine, starting military hostilities in the region. Russia's aggression has triggered a range of sanctions primarily from European countries, the United States, Japan and Australia. The Russian Federation responded with counter-sanctions and a series of internal formal and informal measures. Informal activities mostly include stepped-up propaganda against so-called Western countries and their interests in Russia, as well as the use of administrative tools (primarily various forms of inspection) in a way that impedes normal operations and damages the sense of comfort among personnel members. Formal measures include passing a law that is unfavourable to the operations of foreign-owned companies (e.g. taking over so-called abandoned companies, lack of intellectual property protection, etc.) or that prevents normal operations (e.g. impedes transfer of funds abroad).

The Group operates in Russia through its subsidiary Kredyt Inkaso RUS Limited Liability Company (LLC) ("KI RUS"). As at the date of issue of these financial statements – as in the case of other entities – the Group did not identify any threats to the subsidiary's continuing as a going concern in the foreseeable future. KI RUS carries out its operating activities as usual and collections under debt portfolios remain stable, which enables its self-financing and producing positive cash flows. According to the Management Board's estimates – reflected in the valuation of portfolios subject to the Russian market risk – collections are expected to deteriorate in the following months. The market and legal status of KI RUS is analysed on an ongoing basis and the already accumulated and consistently increased cash resources will be sufficient to adapt appropriately to expected market conditions.

A detailed description of the impact of Russian Federation's military action in Ukraine on the operations of the Group is included in the Note "Factors and events, including of a non-recurring nature, with a material bearing on the financial statements".

2.2. Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and the related interpretations issued in the form of the European Commission's regulations, as well as requirements for issuers of securities admitted to official stock-exchange trading or for which a request for admission to official stock-exchange trading has been made.

2.3. Material judgements and estimates

In the preparation of the full-year consolidated financial statements, the Parent's Management Board makes estimates, judgements and assumptions concerning the measurement of individual assets and liabilities. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Judgements and estimates which are material to the consolidated financial statements are presented below.

2.3.1. Useful lives of non-current assets

Each year, the Parent reviews the useful lives of non-current assets subject to depreciation and their impairment, if any, at the end of each annual reporting period. In the Management Board's opinion, the useful lives of assets applied by the Group for depreciation purposes reflect the period in which future economic benefits associated with the assets are expected to flow to the Group and no impairment occurred. However, actual periods in which such assets provide economic benefits may differ from the assumptions, including due to such factors as technical obsolescence.

2.3.2. Deferred tax assets

The probability of utilising a deferred tax asset against future taxable profit is determined in relation to the Group companies' budgets approved by the Management Board of the Parent. If the financial performance forecast indicates that the Group companies will generate taxable income, deferred tax assets are recognised in full amount.

2.3.3. Measurement of debt portfolios

Purchased debt portfolios are measured at amortised cost using the effective interest method and adjusted for credit risk (POCI assets).

The value of each debt portfolio is determined by the Group using the estimation method as the present value of expected cash inflows generated by the debt portfolio, discounted with the credit-adjusted effective interest rate (internal rate of return – IRR). When calculating the credit-adjusted effective interest rate, the Group estimates the expected cash flows on debt portfolios by considering expected credit losses. The estimate of planned cash flows is based on past cash flows generated by similar debt portfolios. In the case of retail bank and telecom portfolios, estimates cover payments received from debtors to the Group's bank accounts, and in the case of secured portfolios they also cover acquisition and disposal of repossessed properties and other security. Based on historical data, separate repayment curves are built for a given type of debt.

A debt portfolio is divided into groups containing homogenous debt in terms of possible actions and business assumptions. Subsequently, using a model the repayment rate is calculated for the entire portfolio. The curve of planned collection costs is determined by the actions taken in the past for relevant case groups.

2.4. Accounting policies

2.4.1. Consolidation principles

These consolidated financial statements include the Parent's financial statements and the financial statements of the entities controlled by the Parent, including investment funds.

The Group reviews whether it has control of investees if there is an indication of change in one or more of the elements of control referred to below.

A subsidiary is consolidated when the Group acquires control over it and is deconsolidated when the control is lost. Income and costs of a subsidiary acquired or sold during the year are recognised in the consolidated statement of profit or loss and other comprehensive income in the period from the date of acquisition of control by the Company until the date of loss of control over such subsidiary.

The profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Comprehensive income of subsidiaries is also attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If needed, appropriate adjustments are made to the financial statements of subsidiaries to ensure conformity of their accounting policies with the Group's accounting policies.

Subsidiaries whose financial statements are immaterial to the consolidated financial statements of the Group, may be excluded from consolidation. Investments in subsidiaries classified as held for sale are recognised in accordance with IFRS 5.

During consolidation, intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in whole. In cases where the Group members include associates which are not consolidated, the Group applies the equity method (IAS 28). Associates are measured at net asset value at the reporting date.

An investment in an associate is an investment in an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.

2.4.1.1. Control and significant impact

The Group controls an investee, if it has:

- power over the investee,
- exposure, or rights, to variable returns from its involvement with the investee,
- the ability to use its power over the investee to affect the amount of its returns.

The existence of significant influence by an investor on an entity is usually evidenced in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the investor and the investee;
- interchange of managerial personnel; or
- provision of essential technical information.

2.4.1.2. Subsidiaries

All entities over which the Group has control are considered subsidiaries.

2.4.1.3. Associates

An investment in an associate is an investment in an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.

It is presumed that an investor has significant influence on an investee, if an investor holds, directly or indirectly (e.g. through subsidiaries), 20% or more of the voting power of the investee, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly (e.g. through subsidiaries), less than 20% of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude a given investor from having significant influence.

Investments in associates are measured with the equity method. Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the change in the investor's share of net assets of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment.

2.4.1.4. Consolidation procedures

In preparing consolidated financial statements, the financial statements of the Parent and its subsidiaries are combined line by line by adding together like items of assets, liabilities, equity, income and expenses. In order that the consolidated financial statements present financial information about the group as that of a single economic entity, the following steps are then taken:

(1) the carrying amount of the Parent's investment in each subsidiary and the Parent's part of equity of each subsidiary are eliminated;
(2) non-controlling interests in the profit or loss of consolidated subsidiaries for the reporting period are identified; and
(3) non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Parent's ownership interests in them. Non-controlling interests in the net assets consist of:
    (a) the amount of those non-controlling interests at the date of the original combination calculated in accordance with IFRS 3; and
    (b) the non-controlling interests' share of changes in equity since the date of the combination.

When potential voting rights exist, the proportions of profit or loss and changes in equity allocated to the Parent and non-controlling interests are determined on the basis of present ownership interests and do not reflect the possible exercise or conversion of potential voting rights.

Non-controlling interests are presented as a separate item under equity and represent the part of a subsidiary's comprehensive income and net assets that is not held by the Group. The Group attributes total comprehensive income of subsidiaries between the owners of the Parent and non-controlling interests based on their respective ownership interests.

Prior to 1 January 2010, the excess of losses attributable to non-controlling interests over the value of non-controlling interests was allocated to the Parent. In accordance with IFRS 10 the Group did not restate any loss attribution retrospectively, thus the subsequently reported profits of subsidiaries were first attributed to the Parent, until the non-controlling interests' share of losses previously absorbed by the Parent has been recovered.

Transactions with non-controlling interests not resulting in a loss of control by the Parent are treated by the Group as equity transactions:

- partial disposal to non-controlling interests – any difference between the selling price and the carrying amount of the subsidiary's net assets attributable to the interests sold to the non-controlling interests is recognised directly in equity under retained earnings.

- acquisition of shares from non-controlling interests – any difference between the cost and the carrying amount of the net assets purchased from the non-controlling interests is recognised directly in equity under retained earnings.

2.4.1.5. Change of the Group's ownership interest in subsidiaries

If the Group loses control of a subsidiary, it recognises, in the statement of profit or loss, a profit or loss calculated as the difference between (i) the aggregate amount of consideration received and the fair value of retained interests, and (ii) at the date when control is lost – the carrying amount of assets (including goodwill) and liabilities of that subsidiary and non-controlling interests. All amounts related to that subsidiary, originally disclosed in other comprehensive income, are accounted for as if the Group directly sold the respective assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or to other category of equity in accordance with the relevant IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition to enable potential recovery of the cost incurred on initial recognition of an investment in an associate or a financial asset in accordance with IFRS 9.

2.4.1.6. Business combinations

Acquisitions of other entities are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for the acquisition of control over the acquiree. Acquisition-related costs are charged to profit or loss when they are incurred.

Identifiable assets and liabilities are measured at fair value at the acquisition date, with the following exceptions:

- assets and liabilities related to deferred tax or employee benefit agreements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*;
- liabilities or equity instruments related to share-based payment arrangements involving shares in the acquiree or the Group, which are to replace the corresponding agreements applicable at the acquiree, are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date;
- assets (or disposal groups) classified as held for sale under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is calculated as the excess of the aggregate of consideration transferred, non-controlling interests in the acquiree and the fair value of shares previously held by the acquirer in the acquiree over the fair value of acquired identifiable net assets and liabilities at the acquisition date. If after a revaluation the net value of identifiable assets and liabilities at the acquisition date exceeds the aggregate of consideration transferred, non-controlling interests in the acquiree and the fair value of shares previously held by the acquirer in the acquiree, the surplus is recognised directly in profit or loss as a gain on a bargain purchase.

Components of non-controlling interests that are ownership interests and entitling their holders to a proportionate share of an entity's net assets in the event of liquidation may be initially measured at fair value or at the non-controlling interests' proportionate share in the acquiree's identifiable net assets. The method of measurement is selected individually for each acquisition transaction. All other components of non-controlling interests are measured at fair value or using another measurement basis required by IFRS.

If the consideration transferred in a business combination includes any asset or liability resulting from a contingent consideration arrangement, the consideration is measured at the acquisition-date fair value of contingent consideration and recognised as part of the consideration transferred in a business combination. Any changes in the fair value of the contingent consideration that qualify as measurement period adjustments are accounted for retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with IFRS 9 or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and any revaluation gain or loss is recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial statements provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.4.2. Foreign currency transactions

Transactions denominated in currencies other than the Polish złoty are translated into the Polish zloty at the rate of exchange prevailing on the transaction date using the average rate quoted by the National Bank of Poland.

Monetary items denominated in foreign currencies are translated at the closing rate (spot rate), i.e. at the rate announced by the leading bank – ING Bank Śląski S.A., from the first listing on the reporting date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate from the transaction date.

Non-monetary assets and liabilities measured at fair value in a foreign currency are translated at the exchange rate from the date that the fair value was determined.

The following exchange rates of the key foreign currencies were adopted during the preparation of these financial statements:

Reporting period ended 31 March 2022	Average exchange rate	Exchange rate at the end of the reporting period
RON 1	0.9305	0.9404
BGN 1	2.3500	2.3788
RUB 1	0.0518	0.0493
HRK 1	0.6110	0.6142
EUR 1	4.5963	4.6525

Reporting period ended 31 March 2021	Average exchange rate	Exchange rate at the end of the reporting period
RON 1	0.9289	0.9462
BGN 1	2.3101	2.3827
RUB 1	0.0517	0.0525
HRK 1	0.5978	0.6155
EUR 1	4.5181	4.6603

2.4.3. Operating segments

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

Operations of the Group are divided into:

- debt trading segment, which covers the wholesale trade in debt resulting from universal services,
- credit management segment, which covers the management of debt portfolios and debt collection, in the form of both soft and hard collection, i.e. legal services provided by an internal law firm,
- corporate functions, which provide for reconciliation and cover activities related to management and administration, other support functions and other operations not assigned to the identified segments.

Segment revenue is revenue reported in the consolidated statement of comprehensive income that is directly attributable to a segment and the relevant part of revenue that can be allocated on a reasonable basis to a segment, whether from sales to external customers or from transactions with other segments.

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant part of the Group's expense that can be allocated on a reasonable basis to the segment, including expenses relating to sales to external customers and expenses relating to transactions with other segments. Segment profit or loss is determined at the operating result level.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. In particular, segment assets do not include income tax assets.

Segment revenue, result and assets are determined before elimination of intersegment transactions.

2.4.4. Goodwill

Goodwill is measured at the end of the reporting period at cost less accumulated impairment losses and decreases resulting from disposal of part of equity interests to which it was previously allocated. An impairment loss recognised for goodwill is not reversed.

Goodwill is tested for impairment at the end of each reporting period.

2.4.5. Intangible assets

Intangible assets are identified as assets that arise from contractual or other legal rights, regardless of whether those rights are transferable.

Intangible assets are measured initially at cost resulting from a separate transaction. After initial recognition, intangible assets are carried at their cost less any accumulated amortisation; in general, the factor that reduces the valuation are accumulated impairment losses. In the reporting period this factor did not occur.

The period and method of amortisation of intangible assets with finite useful lives were reviewed at the end of the reporting period. The reviewed useful lives of intangible assets did not differ from their previous estimates. Amortisation charges on intangible assets are recognised with the straight-line method over their expected useful lives, which are 30%, 33% or 50% for system software, and 20%, 30% or 50% for production software.

Amortisation rates used for intangible assets in prior periods did not differ from those which were reviewed and applied in the reporting period. No indication of impairment of other intangible assets occurred in the presented reporting periods. An intangible asset is derecognised on disposal or when no further economic benefits are expected from its use or disposal.

2.4.6. Property, plant and equipment

Property, plant and equipment are tangible assets and right-of-use assets that:

- are held by the Group for use in its operations,
- are expected to be used for more than one period,
- have a likelihood of bringing future economic benefits,
- the cost of which can be measured reliably.

Property, plant and equipment includes:

- leasehold (building) improvements,
- plant, equipment,
- other tangible assets,
- tangible assets under construction,

At initial recognition property, plant and equipment are recognised at cost. Property, plant and equipment is initially disclosed at cost plus any costs directly related to the purchase and preparation of an asset for its intended use.

In accordance with the regulations, a lessee recognises a right-of-use asset and a lease liability corresponding to its obligation to make lease payments. A lessee recognises separately the interest expense on lease liabilities and depreciation of right-of-use assets.

After initial recognition, items of property, plant and equipment are carried at their cost less any accumulated depreciation; in general, the factor that reduces the valuation are accumulated impairment losses.

In the property, plant and equipment used by the Group no material property, plant and equipment components were identified whose useful lives would be different than the useful life of the entire item of property, plant and equipment.

In the presented periods, the straight-line method of depreciation of property, plant and equipment was used, which resulted from the anticipated wear and tear.

Depreciation charges on property, plant and equipment are recognised in the period of application of IFRSs based on their initial value less their residual value. Depreciation rates used for property, plant and equipment in prior periods did not differ from those which were reviewed and applied in the reporting period. Depreciation charges were recognised using rates resulting from expected useful lives, which for property, plant and equipment already held were as follows:

- Investments in third-party tangible assets (buildings) – 10%
- Computers (workstations), laptops, servers, specialist computer equipment – 30%
- Copiers and high-volume printers – 30%
- Telecommunications systems, furniture, vehicles – 20%
- Specialist office equipment (e.g. inserters, heavy-duty shredders) – 14%

Depreciation begins when an asset is available for use and ends when the carrying amount equals its residual value.

2.4.7. Investment property

Investment property is initially measured at cost, including transaction costs. Following the initial recognition, investment property is carried at fair value. Gains or losses relating to changes in the fair value of investment property are recognised in profit or loss.

2.4.8. Deferred tax assets

Deferred tax assets are recognised as the amount of income tax expected to be recovered in the future in respect of deductible temporary differences which will reduce the future tax base and any deductible tax losses, determined in accordance with the prudence principle.

In the valuation of deferred tax assets the income tax rate of 19% was applied, which to the best of the Company's knowledge will be effective in the year when the asset will be recovered. Deferred tax assets are recognised for tax losses up to the amount in which the financial performance forecast suggests that the company will generate sufficient taxable income against which such assets can be realised.

2.4.9. Investments in associates

If an entity's share of losses of an associate equals or exceeds its interest in the associate, the entity discontinues recognising its share of further losses, unless it incurred obligations or made payments on behalf of the associate. When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group. At the end of each reporting period, the Group assesses whether there is any indication of impairment of its net investment in an associate. If such indication is found, the Group estimates the recoverable amount, i.e. the higher of the value in use or the fair value less costs to sell. When the carrying amount of an asset is higher than its recoverable amount, the Group recognises an impairment allowance in the statement of profit or loss.

2.4.10. Financial assets

A financial asset is recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets and liabilities is recognised using trade date accounting.

A financial asset is derecognised from the statement of financial position when the rights to economic benefits specified in the contract and the risks associated with the contract are either discharged or cancelled, or are waived by the Group.

At acquisition, the Group recognises financial assets and liabilities at their fair value of an asset or of the amount received in the case of a liability. Transaction costs are included in the initial value of all financial assets and liabilities, except in the case of financial assets and liabilities at fair value through profit or loss.

At the reporting date, the Group classified financial assets for the purpose of measurement after initial recognition, other than derivative hedging instruments, to the following categories:

(1) financial assets at amortised cost,
(2) financial assets at fair value through other comprehensive income,
(3) financial assets at fair value through profit or loss,
(4) equity instruments at fair value through other comprehensive income.

These categories determine the measurement policies to be applied at the reporting date and recognition of gains or losses from such measurement in profit of loss or in other comprehensive income. The other comprehensive income presents items that will not be reclassified subsequently to profit or loss in the current period, and separately items that will be reclassified subsequently to profit or loss when specific conditions are met. Gains or losses recognised in profit or loss are presented as finance income or costs, except for impairment losses on trade receivables, which are presented as other expenses.

2.4.10.1. Financial assets at amortised cost

The category of financial assets measured at amortised cost includes:

- Purchased debt
- Loans
- Other financial assets
- Trade and other receivables.

Trade and other receivables, loans and other receivables primarily include receivables resulting from the Company's operations consisting in trade and management of securitised debt.

Purchased debt comprises high-volume portfolios of overdue debt (e.g. debt under consumer loans, bills for telecommunications services, etc.) purchased by the Company under claim assignment agreements for prices significantly lower than their nominal value (POCI – purchased or originated credit-impaired financial assets).

The Group's business model for the purchased debt portfolios consists in long-term holding and management of the portfolios with a view to obtaining the expected cash flows generated by the managed portfolios. The Group classifies all purchased debt portfolios in the category of instruments measured at amortised cost. Such classification better reflects the purchased portfolio management strategy, which is focused on holding assets to maximise collections under agreements.

Debt portfolios are measured at amortised cost using the effective interest method. They are initially recognised on their purchase date at cost, which is the fair value of the consideration transferred increased by any material transaction costs.

The effective interest rate equal to the credit-adjusted internal rate of return used for discounting estimated cash inflow is calculated based on the initial expected cash inflow projections that take into account the initial value (cost plus any transaction costs), and remains unchanged throughout the life of a portfolio.

Interest income is calculated based on the portfolio value measured at amortised cost in accordance with the guidelines of IFRS 9 for purchased credit-impaired financial assets, using the credit-adjusted effective interest rate referred to above and is recognised in profit or loss of the current period. All interest income is recognised as an increase in the portfolio value. Actual collections during the period are recognised in whole as a decrease in the portfolio value.

The estimated cash flows are primarily based on:

- expected effectiveness of the collection tools used,
- repayment history,
- macroeconomic conditions.

The value of an asset at the reporting date is its initial value (cost plus any transaction costs) increased by interest income, decreased by actual cash inflows and adjusted to reflect any updates (changes) to future cash flow estimates. In effect, the value of an asset at the reporting date is equal to the discounted estimated cash inflows attributable to the asset.

Estimated cash flows from debt portfolios comprise principal recoveries and interest determined at the discount rate. Recovered principal is recognised as a reduction of the carrying amount of the debt portfolios, while the interest received is recognised as revenue earned in a given period.

Moreover, any changes in a portfolio's value resulting from changes in estimated timing and amounts of future cash inflows for the portfolio are disclosed as revenue earned in a given period.

Purchases of debt portfolios entails credit risk.

2.4.10.2. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include assets that were not qualified under IFRS 9 to any other category of financial assets and that meet either of the following conditions:

- are classified as held for trading,
- it has been assigned to this category at initial recognition.

A financial asset is classified as held for trading if either:

- it has been acquired principally for the purpose of selling it in the near term,
- it is part of a portfolio of identified financial instruments that are managed together and for which there is probability of short-term profit-taking,
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets at fair value through profit or loss are measured at fair value, based on their market value at the end of the reporting period, without reflecting sale transaction costs. Any changes in the value of such instruments are recognised in the statement of profit or loss/statement of comprehensive income as finance income (net fair value gain) or costs (net fair value loss). If a contract contains one or more embedded derivatives, the entire contract can be designated as a financial asset at fair value through profit or loss. Financial assets may be designated as financial assets at fair value through profit or loss on initial recognition if the following criteria are met:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch); or
- the assets are part of a group of financial assets that are managed and measured based on fair value, according to a well-documented risk management strategy; or
- the assets contain embedded derivatives which should be presented separately.

2.4.10.3. Financial assets at fair value through other comprehensive income

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Interest calculated using the effective interest method is recognised in profit or loss.

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If an entity reclassifies a financial asset from the fair value through other comprehensive income measurement category into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This adjustment affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

If an entity reclassifies a financial asset from the fair value through other comprehensive income measurement category into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

If an entity reclassifies a financial asset from the fair value through profit or loss measurement category into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

2.4.10.4. Equity instruments at fair value through other comprehensive income

This category includes investments in equity instruments for which on initial recognition an entity made an irrevocable election to present subsequent changes in their fair value in other comprehensive income. Such an instrument may not be held for trading or constitute contingent consideration recognised by an acquirer in a business combination.

2.4.11. Hedge accounting

The Group enters into transactions in derivative instruments in order to hedge interest rate risk. The Group designates the executed derivatives as hedging instruments in connection with cash flow hedge when the following criteria are met:

- the hedging relationship consists of eligible hedging instruments and eligible hedged items;
- before the application of hedge accounting formal documentation was prepared;
- The hedging relationship meets all of the following hedge effectiveness requirements
  - there is an economic relationship between the hedged item and the hedging instrument;
  - the effect of credit risk does not dominate the value changes that result from that economic relationship;
  - the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedging instrument and the quantity of the hedged item that the entity actually hedges (provided that designation of the hedge ratio is not a deliberate attempt to generate an accounting outcome that would be inconsistent with the purpose of hedge accounting).

Derivatives that meet the definition of a hedging instrument hedge the risk of changes in cash flows for assets or liabilities that generate such risk.

A cash flow hedging derivative is a derivative instrument that:

- is designed to hedge the variability in cash flows and is attributable to a particular risk associated with an asset or liability recognised in the statement of financial position, or a highly probable forecast transaction and
- will affect the disclosed net profit or loss.

The part of the gain or loss on the change in the fair value of the cash flow hedge that is determined to be an effective hedge is recognised in other comprehensive income.

Any hedge ineffectiveness is recognised in profit or loss as finance income or finance costs.

Any gains or losses on the cash flow hedge are recognised in profit or loss at the time when a given hedged item affects profit or loss.

The Group discontinues hedge accounting when the hedging instrument expires or is sold, terminated or settled, or if the hedge ceases to meet the criteria for the application of special hedge accounting principles. The method and frequency of assessment of the effectiveness of hedging relationships are specified in the documentation of individual hedging relationships.

Derivatives are executed with major commercial banks in Poland, hence the risk of failure to execute the transaction by the other party is considered immaterial.

The Group assesses the effectiveness of hedging relationship (including the existence of economic relationship between the hedged item and the hedging instrument) by comparing critical parameters or analysing the sensitivity of fair value of the hedging instrument and the hedged item to changes in the hedged risk.

2.4.12. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and cash in hand as well as other cash, i.e. bank deposits with maturities of up to three months. Cash is measured at nominal value, while bank deposits are measured at amount payable. The carrying amounts of those assets correspond to their fair values.

2.4.13. Current prepayments and accrued income

Current prepayments and accrued income include, in particular, prepayments, i.e. incurred expenses related to future reporting periods to be accounted for within 12 months after the reporting date.

2.4.14. Share capital

Share capital of the Company is disclosed at nominal value, as specified in the Company's Articles of Association and the relevant entry in the National Court Register.

2.4.15. Share premium account

Share premium is created from the surplus of the issue price of outstanding shares over their nominal value, less issue costs.

External costs directly related to the issue of shares reduce the share premium account. Other costs are recognised as an expense when they are incurred.

If Kredyt Inkaso S.A. or its subsidiaries acquire the Company's equity instruments, the amount paid, together with costs directly related to the acquisition, reduces equity attributable to equity holders of the Company and is presented separately in the statement of financial position as "Treasury shares" until the shares are cancelled or reissued.

Treasury shares are recognised on the transaction settlement date.

2.4.16. Statutory reserve fund

The statutory reserve fund is increased as a result of profit distribution.

2.4.17. Non-controlling interests

The Group measures all non-controlling interests in proportion to the interests in identifiable net assets of the acquiree.

2.4.18. Revaluation reserve, reserve from revaluation of financial assets to fair value through other comprehensive income

The revaluation reserve arises in connection with the measurement of financial assets and equity instruments at fair value through other comprehensive income and comprises the amounts of remeasurement causing both an increase and a decrease in fair value. Revaluation reserve also includes the effect of hedge accounting.

At derecognition of an equity instrument, any net cumulative gains or losses recognised in revaluation reserve are charged to profit or loss carried forward.

2.4.19. Deferred tax liabilities

Deferred tax liabilities are recognised in the amount that will cause an increase in income tax payable in the future in connection with taxable temporary differences between the carrying amount of assets and liabilities and their tax base.

In the valuation of deferred tax liabilities the income tax rate of 19% was applied, which to the best of the Group's knowledge will be effective in the year when the liabilities will be reversed.

2.4.20. Provisions for employee benefits

Provisions for employee benefits and employee benefit obligations disclosed in the statement of financial position include:

- short-term employee benefits related to salaries (including bonuses) and social security contributions,
- provisions for unused paid leaves, and
- other long-term employee benefits, under which the Group presents retirement benefits.

Short-term employee benefit obligations are measured on an undiscounted basis and disclosed in the statement of financial position at amounts due.

The Group recognises a provision for the cost of accumulating paid absences that it will need to incur as a result of unused entitlement, which arose at the reporting date. The provision for unused paid leaves is classified as a short-term provision and is not discounted.

In accordance with the labour law, employees of the Group are entitled to receive retirement benefits that are paid on a lump-sum basis upon their retirement.

2.4.21. Other provisions

Other provisions are recognised if the Group has obligation resulting from a past event, the amount of such obligation can be estimated reliably, and it is probable that an outflow of economic benefits will be required to discharge the obligation. In particular, the Group recognises a provision for overpayments resulting from payments made by clients on debt portfolios, in the amount of estimated returns of overpayments.

2.4.22. Financial liabilities

A financial liability is recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets and liabilities is recognised using trade date accounting.

The Group removes a financial liability from its statement of financial position when it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

At acquisition, the Group recognises financial liabilities at their fair value, that is most frequently the amount received in the case of a liability. Transaction costs are included in the initial value of all financial assets and liabilities, except in the case of financial assets and liabilities at fair value through profit or loss.

Financial liabilities other than derivative hedging instruments are presented in the statement of financial position under the following items:

- loans and other debt instruments,
- lease,
- trade and other payables, and
- derivative financial instruments.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities held for trading or designated as measured at fair value through profit or loss.

At initial recognition, liabilities under issue of bonds, loans and lease liabilities are measured at fair value less transaction costs, and are subsequently measured at amortised cost using the effective interest method (at adjusted cost) and divided into short-term and long-term part based on the timing of the generated cash flows.

Financial liabilities at fair value through profit or loss include derivatives other than designated as hedging instruments. Short-term trade payables are measured at amounts expected to be paid, as the effect of discounting future outflows would be negligible. Any gains or losses on measurement of financial liabilities are recognised in profit or loss on financing activities under finance income/costs.

2.4.23. Other accruals and deferred income

Accrued expenses are recognised at the reporting date, if needed, at probable amounts of current-period liabilities.

2.4.24. Revenue

Revenue consists of:

- interest income on debt portfolios calculated using the effective interest method,
- income on revaluation of debt portfolios,
- revenue from the management of securitised debt recognised at the date and amount due, less other costs attributable thereto,
- other revenue recognised at the date and amount due. Other revenue include gains on transactions in investment property.

2.4.25. Finance costs

Finance costs consist primarily of interest on bonds, loans, lease liabilities, ineffective part of financial risk hedge and net foreign exchange losses.

2.4.26. Income tax

The income tax expense recognised in profit or loss comprises current income tax and deferred income tax not recognised in other comprehensive income or directly in equity.

Current tax is calculated based on the taxable profit (tax base) for a given financial year. The profit (loss) established for tax purposes differs from the profit (loss) before tax established for accounting purposes due to the movement of taxable income and tax-deductible expenses to other periods and the exclusion of expense and income items which will never be taxable. Income tax expense is based on the tax rates effective in a given year.

Deferred tax was calculated using the balance sheet method as tax recoverable or payable in the future, based on the differences between the carrying amounts and tax values of assets and liabilities.

2.4.27. Statement of cash flows

The Group prepares the statement of cash flows with the indirect method. Cash flows arising from debt portfolios purchased by the Group are disclosed in operating activities.

2.5. First-time adoption of standards in the financial statements

The following amendments to existing standards and interpretations published by the International Accounting Standards Board (IASB) and endorsed for use in the EU apply for the first time in the Company's financial statements in 2021/22:

- Amendments to IFRS 16 *Leases – Covid-19-Related Rent Concessions* (effective for annual periods beginning on or after 1 June 2020),
- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases – Interest Rate Benchmark Reform – Stage 2* (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 4 *Insurance Contracts* – extension of the temporary exemption from applying IFRS 9 to annual period beginning on or after 1 January 2023 (effective for annual periods beginning on or after 1 January 2021).

The above new or amended standards and interpretations applied for the first time did not have a significant impact on the Group's financial statements.

2.6. New standards and amendments to existing standards already issued by the IASB but are not yet effective

At the date of preparation of these financial statements, the following new standards, amendments to existing standards or interpretations have been issued by the IASB but are not yet effective:

- Amendments to IAS 16 *Property, Plant and Equipment* – prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 1 *Presentation of Financial Statements* – classification of liabilities as current or non-current and requirement of disclosure of material information on accounting policies (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 3 *Business Combinations*, IAS 16 *Property, Plant and Equipment*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – annual improvements (effective for annual periods beginning on or after 1 January 2022),
- Amendments to the IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – method of assessing whether the contract is onerous (effective for annual periods beginning on or after 1 January 2022),
- Annual Improvements to IFRSs 2018-2020 Cycle – explanations and clarifications of guidelines on recognition and measurement: IFRS 1 *First-Time Adoption of IFRS*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture*, and illustrative examples on IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates* (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 17 *Insurance Contracts* – uniform recognition of all insurance contracts (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 17 *Insurance Contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information* (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 *Presentation of Financial Statements* and IASB's guidance on disclosures about accounting policies in practice – materiality of policy disclosures (effective for annual periods beginning on or after 1 January 2023).

The Group decided against the early application of the above new standards and amendments to existing standards. The Group estimates that the above new standards, amendments to existing standards and interpretations would not have had any material effect on the financial statements, if they had been applied at the reporting date.

2.7. Change in significant accounting policies

The accounting policies applied to prepare these consolidated financial statements are consistent with those applied to prepare the most recent full-year consolidated financial statements at and for the year ended 31 March 2021, save for those described below.

2.7.1. Introduction of presentation of costs by type

In previous reporting periods, the Group presented costs of operations broken down into operating expenses, administrative expenses and other expenses. To ensure consistency of presentation of those costs with the method used by other leading companies operating in the credit management industry, the Group introduced the presentation of costs by type.

2.7.2. Change of presentation of provision for unused paid leaves

In previous reporting periods, the Group presented the created provision for unused paid leaves under current accruals and deferred income. Currently, the provision is presented under other short-term provisions.

2.7.3. Impact of the change in significant accounting policies on presented values

2.7.3.1. Restatement of comparative information in the consolidated statement of profit or loss for the period from 1 April 2020 to 31 March 2021 resulting from the implemented changes

	1 Apr 2020-31 Mar 2021 before change	Presentation of costs by type	1 Apr 2020-31 Mar 2021 restated
Net revenue			
Interest income on debt portfolios calculated using the effective interest method	125,622	-	125,622
Revaluation of debt portfolios	68,584	-	68,584
Other revenue / costs	6,095	-	6,095
Total net revenue	**200,301**	**-**	**200,301**
Operating expenses	(65,569)	65,569	no item
Administrative expenses	(47,654)	47,654	no item
Other expenses	(664)	664	no item
Employee benefits expense	no item	(41,223)	(41,223)
Depreciation and amortisation	no item	(6,457)	(6,457)
External services	no item	(37,344)	(37,344)
Other expenses	no item	(28,863)	(28,863)
Total operating expenses	**(113,887)**	**-**	**(113,887)**
Operating profit/(loss)	**86,414**	**-**	**86,414**

2.7.3.2. Restatement of comparative information in the statement of financial position at 31 March 2021 resulting from the implemented changes

Equity and liabilities	31 Mar 2021 before change	Presentation of provision for unused paid leaves	31 Mar 2021 restated
Trade and other payables	12,495	-	12,495
Loans and other debt instruments	123,042	-	123,042
Lease liabilities	3,397	-	3,397
Derivative financial instruments	24,822	-	24,822
Other short-term provisions	3,372	1,412	4,784
Current accruals and deferred income	4,504	(1,412)	3,092
Current liabilities	**171,632**	**-**	**171,632**

2.7.4. Detailed description of changes in comparative information concerning net revenue in the financial years 2018/2019, 2019/2020 and 2020/2021

In the financial statements for the reporting period ended 31 March 2021 a number of presentation changes were introduced regarding, among other things, the presentation of net revenue in the consolidated statement of profit or loss and the relevant note to the consolidated financial statements. The change in presentation of net revenue for the financial year ending 31 March 2021 compared to previous periods consisted of the costs of court fees presented in operating expenses instead of decreasing interest income. Concurrently, differences between forecasted and actual collections were transferred to the "Revaluation of debt portfolios" line item.

The Group made a number of presentation changes in the financial years 2018/2019, 2019/2020 and 2020/2021. Summary of changes:

- presentation change A – consisted in calculation of differences between planned and actual collections and their elimination from interest income and recognition under valuation of debt portfolios;
- presentation change B – change applied in Note "Net revenue" in the table "Revaluation of debt portfolios" – addition of a line item for the presentation of differences between planned and actual collections;
- presentation change C – change applied in Note "Net revenue" in the table "Revaluation of debt portfolios" – addition of a line item for the presentation of the effect of extension of the projection horizon;
- presentation change D – separation of court and enforcement fees from revenue and presentation in costs of operations.

The table below details the effect of the presentation changes applied to data for the reporting period ended 31 March 2022 disclosed in the consolidated financial statements for the reporting period ended 31 March 2021 and disclosed in the consolidated financial statements for the reporting period ended 31 March 2021. Data presented as restated to ensure consistency with the principles applicable in the reporting period ended 31 March 2020 were restated on a pro forma basis and were never published.

Presentation in the consolidated statement of profit or loss.

Data published in the financial statements	unpublished (previous principles*)		CFS 2021.03				CFS 2022.03
Change		A		B	C	D	
Interest income on debt portfolios calculated using the effective interest method	157,310	(31,688)	125,622	-	-	-	125,622
Revaluation of debt portfolios	36,896	31,688	68,584	-	-	-	68,584
Other net revenue	6,095	-	6,095	-	-	-	6,095
Total net revenue	**200,301**	**-**	**200,301**	**-**	**-**	**-**	**200,301**

** data that would have been published if the presentation principles from the financial statements for the reporting period ended 31 June 2020 had been applied*

Presentation in Note "Net revenue" in the table "Revaluation of debt portfolios".

Data published in the financial statements	unpublished (previous principles*)		CFS 2021.03				CFS 2022.03
Change		A, B, C		B	C	D	
Revision of projection	36,937	(1,477)	35,460	-	-	-	35,460
Differences relative to actual payments	no item	31,688	31,688	-	-	-	31,688
Extension of projected collections	no item	1,477	1,477	-	-	-	1,477
Exchange rate variation	(41)	-	(41)	-	-	-	(41)
Total	**36,896**	**31,688**	**68,584**	**-**	**-**	**-**	**68,584**

** data that would have been published if the presentation principles from the financial statements for the reporting period ended 31 June 2020 had been applied*

2.8. Seasonality and cyclicality of business

There was no seasonality or cyclicality of the Group's business.

3. Operating segments

The Group's operations are allocated to:

(1) debt trading segment, which covers the purchase of high-volume debt resulting from universal services, i.e. collection of purchased debt;
(2) debt portfolios management segment, which covers the management of debt portfolios and debt collection, in the form of both soft and hard collection, and legal services provided to third parties;
(3) corporate functions, which provide for reconciliation and cover activities related to management and administration, other support functions and other operations not assigned to the identified segments.

No changes occurred in the classification of segments relative to the comparative period.

The above division is based on the model of the Group's operations and the criterion of materiality of revenue.

Allocation of the Group companies to operating segments is presented in the table below.

Company name	Operating segment
Kredyt Inkaso S.A.	debt portfolios management
Kredyt Inkaso Portfolio Investments (Luxembourg) Société Anonyme	debt trading
Kredyt Inkaso I NSFIZ	debt trading
Kredyt Inkaso II NSFIZ	debt trading
Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka Sp.k.	debt portfolios management
Finsano S.A.	corporate functions
Kredyt Inkaso IT Solutions Sp. z o.o. (previously: Legal Process Administration Sp. z o.o.)	corporate functions
Kredyt Inkaso Investments RO S.A.	debt trading
Kredyt Inkaso Investments BG EAD S.A.	debt trading
KI Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna	debt trading
Kredyt Inkaso RUS Limited Liability Company (LLC)	debt trading
Kredyt Inkaso RECOVERY EOOD	debt trading
Kredyt Inkaso d.o.o.	debt trading
Agio Wierzytelności NSFIZ	debt trading
KI Solver Sp. z o.o. (formerly Advisers Sp. z o.o.)	debt portfolios management

Segment performance in the current reporting period is presented in the table below.

	Debt trading	Credit management	Corporate functions	Consolidation eliminations	Total
Net revenue	173,842	24,194	81	-	198,117
Net inter-segment revenue	6,136	43,507	10,817	(60,460)	-
Total net revenue	**179,978**	**67,701**	**10,898**	**(60,460)**	**198,117**
Total operating expenses	(112,466)	(72,254)	(11,369)	60,460	(135,629)
Segment operating profit/(loss)	**67,512**	**(4,553)**	**(471)**	**-**	**62,488**
Finance income					10,518
Finance costs					(33,205)
Profit before tax					**39,801**
Income tax					(8,313)
Net profit					**31,488**

Segment performance in the comparative reporting period, after restatement, is presented in the table below.

	Debt trading	Credit management	Corporate functions	Consolidation eliminations	Total
Net revenue	171,026	31,139	(1,864)	-	200,301
Net inter-segment revenue	6,494	30,116	11,863	(48,473)	-
Total net revenue	**177,520**	**61,255**	**9,999**	**(48,473)**	**200,301**
Total operating expenses	(85,110)	(65,989)	(11,261)	48,473	(113,887)
Segment operating profit/(loss)	**92,410**	**(4,734)**	**(1,262)**	**-**	**86,414**
Finance income					2,020
Finance costs					(32,788)
Profit before tax					**55,646**
Income tax					(10,186)
Net profit					**45,460**

	Debt trading	Credit management	Corporate functions	Consolidation eliminations	Total
At 31 Mar 2022					
Segment assets	300,289	439,622	35,983	(42,600)	733,294
Segment liabilities	100,405	363,334	11,568	(42,600)	432,707
Equity	199,884	76,288	24,415	-	300,587
At 31 Mar 2021					
Segment assets	194,175	524,410	83,940	(37,929)	764,596
Segment liabilities	86,720	439,409	13,014	(37,929)	501,214
Equity	107,455	85,001	70,926	-	263,382

All assets are allocated to reported segments. Goodwill was allocated to reported segments. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual operating segments.

All liabilities are allocated to reported segments. Liabilities attributable to different operating segments are allocated in proportion to the value of segment assets.

4. Geographical information

The Group identifies the following main geographical areas:

- Poland
- Romania
- Russia
- Bulgaria
- Croatia.

The Group's revenue from collections from external customers by geographical location and information about the carrying amount of debt portfolios generating collections from debtors are detailed below.

Collections from debtors by geographical regions	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Poland	184,334	141,686
Romania	49,311	38,672
Russia	26,105	24,138
Bulgaria	18,854	17,710
Croatia	386	412
Total	**278,990**	**222,618**

Carrying amount of purchased debt by geographical location.

	31 Mar 2022		31 Mar 2021	
	Carrying amount	Percentage share	Carrying amount	Percentage share
Poland	442,218	76%	469,752	75%
Romania	92,737	16%	93,814	15%
Russia	3,641	1%	19,396	3%
Bulgaria	35,494	7%	44,336	7%
Croatia	1,197	0%	1,317	0%
Total	**575,287**	**100%**	**628,615**	**100%**

The Group did not identify major customers which would individually contribute 10% or more to its total revenue.

5. Net revenue

5.1. Revaluation of debt portfolios

Revaluation of debt portfolios	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Revision of projection	11,249	35,460
Differences to actual payments	59,424	31,688
Extension of projected collections	1,298	1,477
Exchange rate variation	(947)	(41)
Total	**71,024**	**68,584**

Revaluation of portfolios includes the following components:

(1) Review of future collection projection:
   (a) revaluation of future collection curves, taking into account past collections and planned collections based on statistical models;
   (b) for secured debt portfolios – postponement and/or change of amount or projected collections, where enforcement of claims against security was postponed;
(2) Differences to actual payments – difference for the reporting period between actual payments by debtors and forecast payments in collection curves that were the basis for the valuation of debt portfolios using the model of discounted cash flows from debt portfolios;
(3) Extension of projected collections – extension by another period of projected collections from debt portfolios to match a fixed, standard 15-year recovery estimation period;
(4) Exchange rate variation – impact of the variation of exchange rates on debt portfolios denominated in foreign currencies.

Debt portfolios exposed to the risk related to the Russian Federation's war in Ukraine were valued using modified collection curves reflecting the Management Board's estimates regarding the development of the economic situation in Russia. Based on the scenario assuming reduced collections from its portfolios, the Group adjusted the value of debt portfolios subject to the Russian market risk by PLN 7.7 million.

Changes in forecasts were related mainly to portfolios on the Romanian market where positive deviations were observed, chiefly resulting from the achievement of better efficiency of bailiff enforcement processes. Significant positive deviations in colletions were also recorded in the Polish market in retail and telecommunications debt.

5.2. Other revenue / costs

Other revenue / costs	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Revenue from debt portfolios management	3,717	6,970
Net revenue from sale and repossession of property	2,657	(1,386)
Other revenue	710	1,031
Cost of provision for overpayments	(169)	(520)
Total	**6,915**	**6,095**

6. Costs

Costs by type	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021 restated
Salaries, social insurance contributions and other benefits	48,106	41,223
External services	40,200	37,344
Court and enforcement fees	30,614	24,213
Depreciation and amortisation	6,971	6,457
Taxes and charges	1,503	1,852
Raw materials and energy used	1,482	1,272
Other costs by type	6,753	862
Total	**135,629**	**113,223**

In particular, other costs by type includes an impairment loss on goodwill assigned to Inkaso RUS Limited Liability Company in the amount of PLN 4,899 thousand.

7. Finance income and costs

Finance income	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Interest income on financial assets measured at amortised cost	541	264
Ineffective part of financial risk hedge	9,105	130
Foreign exchange gains	778	-
Other finance income	94	1,626
Total	**10,518**	**2,020**

Finance costs	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Interest expense for financial liabilities	24,419	23,265
Other interest, including	632	810
on lease liabilities	544	638
Interest expense on derivative hedging instruments	8,154	8,379
Ineffective part of financial risk hedge	-	-
Other finance costs	-	197
Foreign exchange losses	-	137
Total	**33,205**	**32,788**

8. Income tax

	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Current year	(5,258)	3,824
Previous years	-	-
Current income tax	**(5,258)**	**3,824**
Current year	(3,055)	(14,010)
Deferred tax transferred from equity to profit or loss	-	-
Deferred income tax	**(3,055)**	**(14,010)**
Total income tax expense recognised in the current year relating to continuing operations	**(8,313)**	**(10,186)**

Tax rates applied by Group companies	1 Apr 2021-31 Dec 2021	1 Apr 2020-31 Mar 2021
Poland	19%	19%
Romania	16%	16%
Bulgaria	10%	10%
Luxembourg	29%	29%
Russia	20%	20%
Croatia	12%	12%

The profit of the Group is generated in particular by closed-end investment funds whose income is exempt from corporate income tax under targeted exemption.

	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Profit from continuing operations before tax	**39,801**	**55,646**
Income tax at 19%	(7,562)	(10,573)
Difference between foreign tax rates and 19%	2,506	109
Non-taxable income	71,506	85,101
Tax revenues not recognised as accounting revenues	(30)	(630)
Non-tax-deductible expenses	(72,952)	(76,842)
Tax loss carried forward	(46)	(59)
Write-off of tax losses	(1,833)	(8,393)
Tax effect of tax rate change	107	-
Correction of prior period items	(114)	127
Tax expense not recognised as accounting expenses	106	962
Prepayments	-	-
Other items with an impact on the amount of tax expense	(1)	12
Income tax expense recognised in profit or loss from continuing operations	**(8,313)**	**(10,186)**

9. Intangible assets and property plant and equipment

9.1. Goodwill

	31 Mar 2022	31 Mar 2021
Finsano S.A.	5,662	5,662
KI Solver Sp. z o.o.	2,049	-
Kredyt Inkaso Portfolio Investments (Luxembourg) S.A.	62	62
Kredyt Inkaso RUS Limited Liability Company	-	4,899
Total	**7,773**	**10,623**

In the reporting period, the Group took control over KI Solver sp. z o.o. and recognised goodwill assigned to that entity. In the previous reporting period, following the merger of Finsano S.A. with Kancelaria Forum S.A., KI Nieruchomości Sp. z o.o. and Finsano Consumer Finance S.A., the goodwill carried by Kancelaria Forum S.A. and KI Nieruchomości Sp. z o.o. was transferred to the assets of Finsano S.A.

At the reporting date, the Group tested goodwill for impairment and did not find any indications of impairment of goodwill, except in the case of goodwill assigned to Kredyt Inkaso RUS Limited Liability Company. The tests cover the carrying amount of a cash-generating unit and in the case of impairment impairment losses are allocated first for goodwill and are not reversed. It was assumed that the cash-generating unit for the above investments was an entity operating as a whole, because no smaller integral parts could be separated that could operate independently by generating cash inflows.

9.1.1. Finsano S.A.

Goodwill was recognised following the acquisition in 2010 by a subsidiary Kancelaria Forum S.A. of shares in law firm Kancelaria Prawnicza Forum radca prawny Krzysztof Piluś i spółka Sp. k. of Warsaw, and subsequently as a result of combination in 2020 of Kancelaria Forum S.A. with Finsano S.A., KI Nieruchomości Sp. z o.o. and Finsano Consumer Finance S.A., where the acquiring company was Finsano S.A. The cash-generating unit in the impairment test was Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka sp. k. and the goodwill assigned to Finsano S.A. amounted to PLN 5,662 thousand.

At the reporting date, impairment tests of goodwill were carried out with the following assumptions:

- the business model would not change
- detailed cash flow projections covered the following five years
- income and costs would grow proportionately by 5% per annum in the period covered by the detailed forecast
- 0% growth rate for extrapolation of cash flow projections beyond the period covered by the most recent forecast
- capital expenditure and depreciation and amortisation would balance out
- 19% tax rate
- 11.93% discount rate.

The recoverable amount was determined at PLN 13,347 thousand. Thus, there was no indication of impairment.

9.1.2. KI Solver sp. z o.o.

On 31 May 2021, Finsano S.A. acquired 100% of the shares in Advisers Sp. z o.o. (currently KI Solver Sp. z o.o.), thus gaining control over net assets of the fair value of PLN 981 thousand, which was equal to the carrying amount at the acquisition date. The fair value of consideration transferred was PLN 3,030 thousand, which generated goodwill assigned to the entity of PLN 2,049 thousand.

	31 May 2021
Receivables	31
Cash and cash equivalents	952
Total assets	**983**
Share capital	500
Retained earnings (including net profit/loss)	481
Total equity	**981**
Liabilities	**2**
Total equity and liabilities	**983**

In accordance with IFRS, the main factor creating goodwill assigned to KI Solver Sp. z o.o. are assets that are not individually identified and separately recognised. In the case of KI Solver Sp. z o.o. the assigned goodwill results from the permit for management of securitised debt of a securitisation fund, which does not meet the conditions for recognition as a balance-sheet asset. The business of this entity may be both complementary and substitutive with respect to the Parent. In particular, the fact that the Group includes two entities holding such permits enables better distribution of legal and regulatory risk, which protects the Group's core business. The Parent to a large extent determines cash flows within the Group, ensuring the recoverability of goodwill.

9.1.3. Kredyt Inkaso RUS Limited Liability Company

Goodwill was created following the acquisition of shares in Kredyt Inkaso RUS Limited Liability Company (LLC) (previously Mark Collect Limited Liability Company (LLC)) with its registered office located in the business centre Sheremetyevo-2 Airport, Moscow Oblast, by the subsidiary Kredyt Inkaso Portfolio Investments (Luxembourg) S.A. The cash-generating unit is Kredyt Inkaso RUS Limited Liability Company (LLC), and the goodwill assigned to KI RUS amounted to PLN 4,899 thousand.

At the reporting date, impairment tests of goodwill were carried out with the following assumptions:

- the business model would not change, i.e. it would rely on debt collection under portfolios held
- detailed cash flow projections covered the following five years
- collections from debtors and revenue would meet the assumptions made for the valuation of debt portfolios, i.e. they would decrease in line with the Management Board's estimates regarding the development of the economic situation in the Russian Federation
- costs would follow the trend defined by revenue as a result of activities adjustment undertaken by the KI RUS Management Board
- capital expenditure and depreciation and amortisation would balance out
- 20% tax rate
- 11.93% discount rate.

As a result of the test, an impairment loss was recognised on goodwill assigned to KI RUS in the amount of PLN 4,899 thousand, i.e. for the full amount of the goodwill.

9.2. Intangible assets

	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
At 31 Mar 2022						
Gross carrying amount	15,002	3,307	3,960	322	500	23,091
Accumulated amortisation and impairment losses	(9,322)	(3,107)	(1,553)	(322)	-	(14,304)
Net carrying amount	**5,680**	**200**	**2,407**	**-**	**500**	**8,787**
At 31 Mar 2021						
Gross carrying amount	11,734	4,298	3,627	382	141	20,182
Accumulated amortisation and impairment losses	(7,591)	(4,008)	(873)	(382)	-	(12,854)
Net carrying amount	**4,143**	**290**	**2,754**	**-**	**141**	**7,328**

Changes in intangible assets by type

	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
At 1 Apr 2021	**4,143**	**290**	**2,754**	**-**	**141**	**7,328**
Increase (purchase, internal development, lease)	4,006	26	333	-	359	4,724
Decrease (disposal, liquidation) (-)	(59)	-	-	-	-	(59)
Intangible assets acquired	-	-	-	-	-	-
Depreciation (-)	(2,410)	(116)	(680)	-	-	(3,206)
Reclassification	-	-	-	-	-	-
At 31 Mar 2022	**5,680**	**200**	**2,407**	**-**	**500**	**8,787**

	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
At 1 Apr 2020	**6,282**	**-**	**1,305**	**-**	**1,149**	**8,736**
Increase (purchase, internal development, lease)	48	-	-	-	1,050	1,098
Decrease (disposal, liquidation) (-)	(182)	-	-	-	-	(182)
Intangible assets acquired	32	260	1,766	-	(2,058)	-
Depreciation (-)	(1,926)	(81)	(317)	-	-	(2,324)
Reclassification	(111)	111	-	-	-	-
At 31 Mar 2021	**4,143**	**290**	**2,754**	**-**	**141**	**7,328**

9.3. Property, plant and equipment

	Buildings	Plant and equipment	Vehicles	Other tangible assets	Property, plant and equipment under construction	Total
At 31 Mar 2022						
Gross carrying amount	19,657	9,385	1,813	1,816	183	32,854
Accumulated amortisation and impairment losses	(9,053)	(6,820)	(1,002)	(1,670)	-	(18,545)
Net carrying amount	**10,604**	**2,565**	**811**	**146**	**183**	**14,309**
At 31 Mar 2021						
Gross carrying amount	18,135	9,598	2,608	1,133	2,453	33,927
Accumulated amortisation and impairment losses	(6,553)	(8,676)	(1,540)	(889)	-	(17,658)
Net carrying amount	**11,582**	**922**	**1,068**	**244**	**2,453**	**16,269**

Of which right-of-use assets.

	Buildings	Plant and equipment	Vehicles	Other tangible assets	Property, plant and equipment under construction	Total
At 31 Mar 2022						
Gross carrying amount	15,245	-	1,171	-	-	16,416
Accumulated amortisation and impairment losses	(7,654)	-	(551)	-	-	(8,205)
Net carrying amount	**7,591**	**-**	**620**	**-**	**-**	**8,211**
At 31 Mar 2021						
Gross carrying amount	11,120	-	426	-	-	11,546
Accumulated amortisation and impairment losses	(4,894)	-	(297)	-	-	(5,191)
Net carrying amount	**6,226**	**-**	**129**	**-**	**-**	**6,355**

Changes in property, plant and equipment by type.

	Buildings	Plant and equipment	Vehicles	Other tangible assets	Property, plant and equipment under construction	Total
At 1 Apr 2021	**11,582**	**922**	**1,068**	**244**	**2,453**	**16,269**
Increase (purchase, internal development, lease)	4,389	16	747	67	707	5,926
Decrease (disposal, liquidation) (-)	(2,476)	(18)	(800)	-	(827)	(4,121)
Acceptance of tangible asset	(153)	2,254	131	(82)	(2,150)	-
Depreciation (-)	(2,738)	(609)	(335)	(83)	-	(3,765)
At 31 Mar 2022	**10,604**	**2,565**	**811**	**146**	**183**	**14,309**

Of which right-of-use assets.

	Buildings	Plant and equipment	Vehicles	Other tangible assets	Property, plant and equipment under construction	Total
At 1 Apr 2021	**6,226**	**-**	**129**	**-**	**-**	**6,355**
Increase	4,211	-	600	-	-	4,811
Decrease (-)	(62)	-	-	-	-	(62)
Depreciation (-)	(2,784)	-	(109)	-	-	(2,893)
At 31 Mar 2022	**7,591**	**-**	**620**	**-**	**-**	**8,211**

Changes in property, plant and equipment by type.

	Buildings	Plant and equipment	Vehicles	Other tangible assets	Property, plant and equipment under construction	Total
At 1 Apr 2020	**14,009**	**523**	**1,716**	**504**	**66**	**16,818**
Increase (purchase, internal development, lease)	210	1,373	101	181	2,500	4,365
Decrease (disposal, liquidation) (-)	(331)	1	(314)	(24)	(113)	(781)
Acceptance of tangible asset	-	-	-	-	-	-
Depreciation (-)	(2,306)	(975)	(435)	(417)	-	(4,133)
At 31 Mar 2021	**11,582**	**922**	**1,068**	**244**	**2,453**	**16,269**

Of which right-of-use assets.

	Buildings	Plant and equipment	Vehicles	Other tangible assets	Property, plant and equipment under construction	Total
At 1 Apr 2020	**9,006**	**-**	**243**	**-**	**-**	**9,249**
Increase	-	-	58	-	-	58
Decrease (-)	(500)	-	-	-	-	(500)
Depreciation (-)	(2,280)	-	(172)	-	-	(2,452)
At 31 Mar 2021	**6,226**	**-**	**129**	**-**	**-**	**6,355**

10. Investment properties

	31 Mar 2022	31 Mar 2021
At 1 Apr 2021	**11,987**	**15,490**
Additions from acquisition of property	2,882	1,964
Disposal of property	(5,020)	(2,671)
Revaluation	3,180	(2,796)
At 31 Mar 2022	**13,029**	**11,987**

All of the Group's investment properties are owned by the Group. In the period covered by these financial statements, the Group did not transfer any investment properties between measurement levels.

	Level 3	Fair value
Investment property as at 31 Mar 2022	13,029	13,029
Investment property as at 31 Mar 2021	11,987	11,987

11. Other financial assets

The Group presents the following investments under other financial assets:

	31 Mar 2022		31 Mar 2021	
	Current assets	Non-current assets	Current assets	Non-current assets
Debt instruments	268	1,600	84	2,756
Financial assets at fair value through profit or loss	319	-	376	-
Total	**587**	**1,600**	**460**	**2,756**

12. Purchased debt

Types of debt portfolios	31 Mar 2022	31 Mar 2021
Retail	328,040	373,429
Telecommunications	127,411	112,759
Consumer loans	75,822	80,565
Mortgage	26,766	35,673
Corporate	16,658	25,777
Insurance	570	380
Other	20	32
Total	**575,287**	**628,615**

Movements in debt portfolios	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
At beginning of period	**628,615**	**643,504**
Purchase of debt portfolios	35,439	13,052
Sale of debt portfolios	-	(600)
Revaluation	71,024	68,584
Translation reserve	(979)	1,071
Collections	(278,990)	(222,618)
Interest income on debt portfolios	120,178	125,622
At end of period	**575,287**	**628,615**

13. Receivables and loans

	31 Mar 2022	31 Mar 2021
Non-current assets		
Receivables	656	441
Current assets		
Trade and other receivables	7,936	8,777
Loans	29	29

As at the reporting date, impairment losses covered other receivables and included the following items:

- PLN 2,834 thousand impairment loss on reimbursement of court fees related to debt collection actions before courts
- PLN 593 thousand impairment loss on receivables related to court cases instigated by the Group
- PLN 437 thousand impairment loss on other receivables.

14. Deferred tax assets and liabilities

Deferred tax assets and liabilities are presented on a net basis.

Deferred income tax	31 Mar 2022	31 Mar 2021
Balance at beginning of year:		
Deferred tax assets	8,102	21,701
Deferred tax liabilities	(9,579)	(8,330)
Net deferred tax at beginning of period	**(1,477)**	**13,371**
Changes in the period recognised in:		
Statement of profit or loss (+/-)	(3,055)	(14,010)
Other comprehensive income (+/-)	(2,157)	(838)
Net deferred tax at end of period, including:	**(6,689)**	**(1,477)**
Deferred tax assets	3,856	8,102
Deferred tax liabilities	(10,545)	(9,579)

	31 Mar 2021	Change in the statement of profit or loss	Change in other comprehensive income	31 Mar 2022
Deferred tax assets				
Property, plant and equipment – right-of-use asset	46	21	-	67
Provisions for employee benefits	647	357	-	1,004
Other provisions	355	(48)	-	307
Loans and other debt instruments	5,484	(3,041)	(2,157)	286
Other liabilities	553	191	-	744
Unused tax losses	81	545	-	626
Other assets	936	(115)	-	821
Total	**8,102**	**(2,089)**	**(2,157)**	**3,856**
Deferred tax liabilities				
Property, plant and equipment and intangible assets	495	178	-	673
Investment property	127	147	-	274
Receivables and loans, valuation of financial assets	8,809	675	-	9,484
Other assets	148	(34)	-	114
Total	**9,579**	**966**	**-**	**10,545**
Net deferred tax	**(1,477)**	**(3,055)**	**(2,157)**	**(6,689)**

In accordance with the Polish tax law, tax loss for a given financial year may be utilised:

- on a one-off basis up to PLN 5,000 thousand of loss,
- up to 50%,

in each of the five years after the tax year when the loss was incurred. In foreign subsidiaries of the Group, the rules of utilising tax losses are consistent with the local tax law in each of their respective countries.

Tax losses of the Group, for which no tax asset for losses was recognised, and periods over which they can be utilised are presented in the table below. Deferred tax assets of PLN 8,768 thousand at 31 March 2022 (31 March 2021: PLN 6,823 thousand) were not included in the calculation of deferred tax as the probability of their use was uncertain.

Date of tax loss	Tax loss expiry date	31 Mar 2022	31 Mar 2021
31 Mar 2017	31 Mar 2022	n/a	274
31 Mar 2018	31 Mar 2023	1,862	4,276
31 Mar 2019	31 Mar 2024	7,336	8,459
31 Mar 2020	31 Mar 2025	3,459	4,377
31 Mar 2021	31 Mar 2026	18,738	18,706
31 Mar 2022	31 Mar 2027	14,827	n/a
Non-capitalised tax losses		**46,221**	**36,092**
Potential tax benefit		**8,768**	**6,823**

The change in non-capitalised tax losses relative to the previous reporting date resulted particularly from the receipt by Finsano S.A. on 7 June 2022 of a positive tax ruling allowing the utilisation of its losses.

15. Financial instruments

The table below presents the classification of financial instruments and a comparison of carrying amounts of financial instruments with their respective fair values.

The table below also presents the fair value of financial assets and liabilities classified at a specific level of the fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, based on variables derived from active markets,
- Level 3 – inputs for the asset or liability that are not based on variables derived from active markets.

	Carrying amount 31 Mar 2022				Fair value 31 Mar 2022			
	FVTPL	FVOCI	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Non-current assets								
Receivables and loans	-	-	656	**656**	-	-	656	**656**
Other non-current financial assets – debt instruments	-	-	1,600	**1,600**	-	-	1,600	**1,600**
Derivative financial instruments	-	2,902	-	**2,902**	-	2,902	-	**2,902**
Current assets								
Trade and other receivables	-	-	7,936	**7,936**	-	-	7,936	**7,936**
Purchased debt	-	-	575,287	**575,287**	-	-	488,022	**488,022**
Loans	-	-	29	**29**	-	-	29	**29**
Other current financial assets – debt instruments	-	-	268	**268**	-	-	268	**268**
Other current financial assets – shares	319	-	-	**319**	-	-	319	**319**
Cash and cash equivalents	-	-	98,223	**98,223**	-	-	98,223	**98,223**
Financial liabilities								
Non-current liabilities								
Loans and other debt instruments	-	-	242,710	**242,710**	-	-	242,710	**242,710**
Lease liabilities	-	-	6,136	**6,136**	-	-	6,136	**6,136**
Current liabilities								
Loans and other debt instruments	-	-	128,252	**128,252**	-	-	128,252	**128,252**
Lease liabilities	-	-	2,479	**2,479**	-	-	2,479	**2,479**
Derivative financial instruments	-	3,659	-	**3,659**	-	3,659	-	**3,659**

FVTPL – Financial instruments at fair value through profit or loss
FVOCI – Financial assets at fair value through other comprehensive income
Amortised cost – Financial instruments at amortised cost

The Group did not make any reclassifications of financial assets which would lead to a change of the measurement method for such assets, requiring such assets to be measured at fair value or at amortised cost.

The Group also did not make any reclassification of financial assets between individual fair value hierarchy levels.

16. Cash and cash equivalents

	31 Mar 2022	31 Mar 2021
Cash at bank	98,218	74,036
Cash in hand	5	5
Total	**98,223**	**74,041**

17. Equity

17.1. Share capital

	31 Mar 2022	31 Mar 2021
Number of shares	12,897,364	12,897,364
Par value of shares (PLN)	1.00	1.00
Share capital (PLN)	**12,897,364**	**12,897,364**

All shares are ordinary shares which carry no preference and no limitation on rights.

17.2. Shareholder structure of Kredyt Inkaso S.A.

At the authorisation date of these full-year consolidated financial statements, the Parent's shareholder structure was as follows:

	Number of shares	% of ownership interest	Number of voting rights	% of total vote held
WPEF VI Holding 5 B.V. (*)	7,929,983	61.48%	7,929,983	61.48%
BEST S.A.	4,267,228	33.09%	4,267,228	33.09%
BEST Capital FIZAN	7,000	0.05%	7,000	0.05%
Other shareholders	693,153	5.38%	693,153	5.38%
Total	**12,897,364**	**100.00%**	**12,897,364**	**100.00%**

(*) Waterland Private Equity Investments B.V. is the ultimate parent and indirectly holds 61.48% of the Company's share capital, representing the same share in total voting rights.

17.3. Members of the management or supervisory bodies holding Company shares or rights to Company shares

Shareholder	number of shares	par value of all shares (in PLN)	% of votes at GM	number of shares	par value of all shares (in PLN)	% of votes at GM
Management Board	-	-	-	-	-	-
Supervisory Board						
Karol Szymański	1	1	0%	1	1	0%

At the reporting date of 31 March 2022 and at the date of authorisation of these financial statements, none of the members of the Management Board held any shares in the Company or other rights to Company shares.

At 31 March 2022 and at the authorisation date of these financial statements, Mr Karol Szymański, member of the Supervisory Board, held one share in Kredyt Inkaso S.A. representing 0% of the total number of shares in the Company and carrying one voting right, representing 0% of the total vote at the Company's General Meeting. At 31 March 2022 and at the authorisation date of these financial statements, other members of the Supervisory Board did not hold any shares in the Company or other rights to Company shares.

17.4. Coverage of loss of the Parent for 2020/2021

The Annual General Meeting was held on 29 November 2021, which passed a resolution to fully cover the loss for 2020/2021 in the amount of PLN 15,257 thousand from the Company's statutory reserve funds.

17.5. Number of shares and earnings per share (EPS)

In the period covered by these financial statements, no shares of new series were issued.

The net earnings/(loss) per ordinary share is calculated in the same way for each share. All shares confer equal rights to distribution of net profit.

Basic earnings per share are computed as the quotient of net profit attributable to owners of the Parent to the number of ordinary shares outstanding during the period. The EPS calculation is presented below:

	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Weighted average number of ordinary shares (in thousands)	12,897	12,897
Impact of treasury shares	-	-
Weighted average number of ordinary shares (in thousands)	12,897	12,897
Continuing operations		
Net profit/(loss) attributable to owners of the parent	30,738	45,083
Basic earnings/(loss) per share (PLN)	2.38	3.50
Diluted earnings/(loss) per share (PLN)	2.38	3.50

No discontinued operations occurred in the current and comparative reporting period.

In the current and comparative reporting period, the Group carried no instruments diluting earnings per share from discontinued operations.

17.6. Translation reserve

Translation reserve comprises exchange differences resulting from the translation into PLN of the financial statements of foreign companies and groups of companies.

	31 Mar 2022	31 Mar 2021
At beginning of year	**(2,670)**	**(3,803)**
Translation reserve	(2,430)	1,133
At end of year	**(5,100)**	**(2,670)**

17.7. Retained earnings

	31 Mar 2022	31 Mar 2021
Net profit for current period attributable to owners of the parent	30,738	45,083
Retained earnings	154,189	100,434
Total	**184,927**	**145,517**

17.8. Equity attributable to non-controlling interests

	31 Mar 2022	31 Mar 2021
Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka Sp. k.	691	691
Kredyt Inkaso RUS Limited Liability Company (LLC)	13	184
Agio Wierzytelności NS FIZ	-	128
Total equity attributable to non-controlling interests	**704**	**1,003**

	Net profit/(loss)	Non-controlling interest at 31 Mar 2022	Share of profit/(loss)
Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka Sp. k.	1,955	n/a*	700
Kredyt Inkaso RUS Limited Liability Company (LLC)	(963)	1.0%	(10)
Agio Wierzytelności NS FIZ	14,285	-	60
Total share of profit/(loss)			**750**

(*) Minority shareholders (limited partners) of Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka Sp. k. hold 10% of voting rights and the partnership's deed of incorporation defines in detail the exercise of voting rights and profit distribution among the shareholders.

	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Balance at beginning of year	**1,003**	**2,110**
Share of profit for the year	750	377
Changes in the Group's structure (transactions with non-controlling interests)	(187)	(56)
Payment of dividends	(862)	(1,428)
Balance at end of year	**704**	**1,003**

17.8.1. Kancelaria Prawnicza FORUM radca prawny Krzysztof Piluś i spółka Sp. k.

	31 Mar 2022	31 Mar 2021
Non-current assets	66	218
Current assets	4,084	5,860
Total assets	**4,150**	**6,078**
Equity	3,880	4,607
Non-current liabilities	6	-
Current liabilities	264	1,471
Total liabilities	**270**	**1,471**
Total equity and liabilities	**4,150**	**6,078**
Equity attributable to the non-controlling interests	**691**	**691**

	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Net revenue	2,653	6,730
Operating expenses	(493)	(4,548)
Net other income/(expenses)	38	(68)
Operating profit	**2,198**	**2,114**
Finance income and costs	101	255
Profit before tax	**2,299**	**2,369**
Income tax	(344)	-
Net profit	**1,955**	**2,369**
Items of other comprehensive income	-	-
Net comprehensive income	**1,955**	**2,369**
Net profit attributable to the non-controlling interests	**700**	**301**

17.8.2. Kredyt Inkaso RUS Limited Liability Company (LLC)

	31 Mar 2022	31 Mar 2021
Non-current assets	3,772	4,095
Current assets	14,073	23,937
Total assets	**17,845**	**28,032**
Equity	8,010	25,654
Non-current liabilities	30	4
Current liabilities	9,805	2,374
Total liabilities	**9,835**	**2,378**
Total equity and liabilities	**17,845**	**28,032**
Equity attributable to the non-controlling interests	**13**	**184**

	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Net revenue	10,853	17,098
Operating expenses	(9,103)	(9,511)
Net other income/(expenses)	-	20
Operating profit	**1,750**	**7,607**
Finance income and costs	377	17
Profit before tax	**2,127**	**7,624**
Income tax	(3,077)	(2,185)
Net profit	**(950)**	**5,439**
Items of other comprehensive income	-	-
Net comprehensive income	**(950)**	**5,439**
Net profit attributable to the non-controlling interests	**(10)**	**54**

17.8.3. Agio Wierzytelności NSFIZ

	31 Mar 2022	31 Mar 2021
Non-current assets	1,600	2,756
Current assets	29,715	16,839
Total assets	**31,315**	**19,595**
Equity	30,480	19,096
Non-current liabilities	-	-
Current liabilities	835	499
Total liabilities	**835**	**499**
Total equity and liabilities	**31,315**	**19,595**
Equity attributable to the non-controlling interests	**-**	**128**

	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Net revenue	16,248	5,347
Operating expenses	(2,012)	(1,840)
Net other income/(expenses)	-	-
Operating profit	**14,236**	**3,507**
Finance income and costs	49	205
Profit before tax	**14,285**	**3,712**
Income tax	-	-
Net profit	**14,285**	**3,712**
Items of other comprehensive income	-	-
Net comprehensive income	**14,285**	**3,712**
Net profit attributable to the non-controlling interests	**60**	**22**

17.9. Dividends paid and dividend policy

The Parent did not pay any dividend in the last five years. In accordance with the Articles of Association and the Commercial Companies Code the decision on dividend payment is made by the General Meeting.

18. Loans and other debt instruments

	31 Mar 2022		31 Mar 2021	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Loans	32,649	95,264	27,204	101,641
Debt securities	95,603	147,446	95,838	222,048
Total	**128,252**	**242,710**	**123,042**	**323,689**

18.1. Loans

Balance of loans at the reporting date.

Instrument	Currency	Interest	Liability origination date	Maturity	Current liabilities	Non-current liabilities	Total
Loan from ING Bank Śląski S.A.	PLN	3M WIBOR + margin	23 Nov 2017	31 Aug 2031	12,177	36,790	**48,967**
Loan from ING Bank Śląski S.A.	PLN	3M WIBOR + margin	21 May 2018	31 Aug 2031	20,472	58,474	**78,946**
Total					**32,649**	**95,264**	**127,913**

The maturity date for loans granted by ING Bank Śląski S.A. marks the date of expiry of the loan agreement, which is 31 August 2031. The maturity for each drawdown from the available credit facility is 60 months.

Balance of loans at the comparative reporting date.

Instrument	Currency	Interest	Liability origination date	Maturity	Current liabilities	Non-current liabilities	Total
Loan from ING Bank Śląski S.A.	PLN	3M WIBOR + margin	23 Nov 2017	31 Aug 2031	9,395	35,043	**44,438**
Loan from ING Bank Śląski S.A.	PLN	3M WIBOR + margin	21 May 2018	31 Aug 2031	17,809	66,598	**84,407**
Total					**27,204**	**101,641**	**128,845**

The maturity date for loans granted by ING Bank Śląski S.A. marks the date of expiry of the loan agreement, which is 31 December 2032. The maturity for each drawdown from the available credit facility is 60 months.

Kredyt Inkaso I NSFIZ and Kredyt Inkaso II NSFIZ, pursuant to supplementary agreements, may use the funds obtained from the credit facility to finance the purchase of debt portfolios.

In accordance with the agreements, the bank will make available up to a total of PLN 140,000 thousand to Kredyt Inkaso I NSFIZ and Kredyt Inkaso II NSFIZ.

The availability of funds for use under the above credit limit is provided for annual periods ending on 31 December, which are automatically extended for subsequent annual periods if neither the bank nor the funds make a statement at least 35 days before the expiry date that they do not wish to continue the availability of the credit line. The maximum date up to which the end-date of the availability of funds to be drawn down under the credit limit may be extended is the expiry date of the credit facility agreement, set for 31 December 2032.

The credit facilities are uncommitted and the bank does not have any obligations under the credit facility agreements and a request to use the allocated credit limits requires the prior approval of the bank.

18.2. Bonds issued

Balance at end of current reporting period.

Bond Series	Interest	Liability origination date	Maturity	Nominal amount	Current	Non-current	Carrying amount
E1	6M WIBOR + 4.9%	16 Aug 2018	16 Aug 2022	6,190	6,196	-	**6,196**
F1	6M WIBOR + 4.9%	26 Apr 2019	26 Apr 2022	75,769	77,608	-	**77,608**
H1	fixed; 6%	22 Oct 2021	19 Oct 2025	3,667	75	3,420	**3,495**
J1	3M WIBOR + 4.9%	28 Mar 2022	28 Mar 2029	55,749	11,336	43,452	**54,788**
K1	6M WIBOR + 4.9%*	28 Mar 2022	28 Mar 2029	103,000	388	100,574	**100,962**
Total				**244,375**	**95,603**	**147,446**	**243,049**

**first interest period – 6M WIBOR + 5.3%*

Calendar of events related to bonds in issue – including events subsequent to the reporting date.

Date	
26 April 2021	The Group made a partial repayment of the nominal value of Series F1 bonds amounting to PLN 31,500 thousand in line with the schedule of partial amortisation of the nominal value specified in the terms and conditions of the bonds.
13 June 2021	The Group made another partial repayment of the nominal value of the following bonds in line with the schedule of partial amortisation of the nominal value specified in the terms and conditions of the bonds: ▪ PLN 1,610 thousand as partial repayment of Series B1 bonds, and ▪ PLN 1,973 thousand as partial repayment of Series G1 bonds.
13 September 2021	The Group made another partial repayment of the nominal value of the following bonds in line with the schedule of partial amortisation of the nominal value specified in the terms and conditions of the bonds: ▪ PLN 1,610 thousand as partial repayment of Series B1 bonds, and ▪ PLN 1,973 thousand as partial repayment of Series G1 bonds.
7 October	1,301 Series F1 bearer bonds with a total nominal value of PLN 1,106 thousand were redeemed.
22 October 2021	Series H1 bearer bonds with a total nominal value of PLN 4,970 thousand were issued.
8 December 2021	1,300 Series F1 bearer bonds with a total nominal value of PLN 1,105 thousand and 17,636 Series PA01 bearer bonds with a total nominal value of PLN 1,764 thousand were redeemed.
13 December 2021	The Group made another partial repayment of the nominal value of the following bonds in line with the schedule of partial amortisation of the nominal value specified in the terms and conditions of the bonds: ▪ PLN 1,610 thousand as partial repayment of Series B1 bonds, and ▪ PLN 1,973 thousand as partial repayment of Series G1 bonds.
18 December 2021	The Group made a full repayment of the nominal value of Series PA01 bonds amounting to PLN 12,530 thousand in line with the schedule specified in the terms and conditions of the bonds.
13 March 2022	The Group made another partial repayment of the nominal value of the following bonds in line with the schedule of partial amortisation of the nominal value specified in the terms and conditions of the bonds: ▪ PLN 1,610 thousand as partial repayment of Series B1 bonds, and ▪ PLN 1,973 thousand as partial repayment of Series G1 bonds.
28 March 2022	The Group made a full repayment of the nominal value of Series PA02 bonds amounting to PLN 30,000 thousand in line with the schedule specified in the terms and conditions of the bonds. Series K1 bearer bonds with a total nominal value of PLN 103,000 thousand and Series J1 bearer bonds with a total nominal value of PLN 55,749 thousand were issued.
29 March 2022	The Group repaid the nominal value of the following series of bonds: ▪ PLN 100,520 thousand – partial early redemption of Series F1 bonds, ▪ PLN 1,303 thousand – partial early redemption of Series H1 bonds, ▪ PLN 17,712 thousand – full early redemption of Series B1 bonds, ▪ PLN 21,702 thousand – full early redemption of Series G1 bonds.
19 April 2022	Series I1 bearer bonds with a total nominal value of PLN 17,010 thousand were issued.
26 April 2022	The Group made a full early redemption of Series F1 bonds with a nominal value of PLN 75,769 thousand.

On 2 July 2021, a meeting of holders of Series F1 bonds issued by the Company was held, which adopted resolutions to amend selected terms and conditions of the bonds. At the same time, on 2 July 2021 the Company concluded bilateral agreements with all holders of Series B1 and G1 bonds on changes to the terms and conditions of Series B1 and G1 bonds consistent with the changes approved by the meeting of holders of Series F1 bonds.

No covenants under the issued bonds were breached in the reporting period. Until the Authorisation Date, no cases of default on any principal or interest payments under bonds, or any other terms and conditions of bonds occurred.

As at the end of the previous reporting period.

Bond Series	Interest	Liability origination date	Maturity	Nominal amount	Current	Non-current	Carrying amount
B1	3M WIBOR + 4.9%	8 Mar 2017	13 Dec 2024	24,153	6,495	18,509	**25,004**
PA01	6M WIBOR + 3.5%	18 Dec 2017	18 Dec 2021	14,294	14,347	-	**14,347**
PA02	6M WIBOR + 3.7%	28 Mar 2018	28 Mar 2022	30,000	29,700	-	**29,700**
E1	6M WIBOR + 4.9%	16 Aug 2018	16 Aug 2022	6,190	177	5,835	**6,012**
F1	6M WIBOR + 4.9%	26 Apr 2019	26 Apr 2023	210,000	37,098	176,248	**213,346**
G1	3M WIBOR + 4.9%	13 Dec 2019	13 Dec 2024	29,593	8,021	21,456	**29,477**
Total				**314,230**	**95,838**	**222,048**	**317,886**

The maturity date takes into account previous partial amortisation of the nominal value according to Terms and Conditions of the Bonds of Series B1, F1 and G1.

18.3. Cash pool

On 23 April 2019, an agreement on liquidity management in the form of daily limits was executed between ING Bank and the Group companies ("cash pool"). The transactions as part of the cash pool bear interest at a variable rate of 6M WIBOR +4.9%.

Cash pool balances are presented in the table below:

	31 Mar 2022	31 Mar 2021
Kredyt Inkaso S.A.	(29,913)	(11,765)
Finsano S.A.	25,372	15,704
Kancelaria Prawnicza Forum Radca Prawny Krzysztof Piluś i Spółka sp.k.	2,918	(977)
Kredyt Inkaso IT Solutions Sp. z o.o. (previously: Legal Process Administration Sp. z o.o.)	1,623	(2,962)
Total	**-**	**-**

19. Lease liabilities

	31 Mar 2022		31 Mar 2021	
	Current liabilities	**Non-current liabilities**	**Current liabilities**	**Non-current liabilities**
Lease liabilities	2,479	6,136	3,397	4,416
Total	**2,479**	**6,136**	**3,397**	**4,416**

	Discounted present value of minimum lease payments		Undiscounted value of minimum lease payments	
	31 Mar 2022	**31 Mar 2021**	**31 Mar 2022**	**31 Mar 2021**
Up to 1 year	2,479	3,397	2,993	3,691
from 1 year to 5 years	5,884	3,755	6,231	4,071
over 5 years	252	661	271	663
Total	**8,615**	**7,813**	**9,495**	**8,425**

20. Current prepayments and accrued income

	31 Mar 2022	31 Mar 2021
Licences and maintenance of IT systems	431	448
Insurance policies	282	261
Other	203	356
Total	**916**	**1,065**

21. Current accruals and deferred income

	31 Mar 2022	31 Mar 2021 restated
Rent free period	12	128
Operating expenses	3,105	2,923
Bond issue costs	849	-
Other	-	41
Total	**3,966**	**3,092**

22. Trade and other payables

	31 Mar 2022	31 Mar 2021
Trade payables	23,944	7,786
Total financial liabilities	**23,944**	**7,786**
Tax and other benefits payable	2,864	1,725
Other non-financial liabilities	3,318	2,984
Total non-financial liabilities	**6,182**	**4,709**
Total current liabilities	**30,126**	**12,495**

Trade and other payables are liabilities that the Group will settle within 12 months.

23. Other short-term provisions

	31 Mar 2022	31 Mar 2021 restated
Provision for employee benefits	7,289	3,584
Overpayments	669	520
Other provisions	514	680
Total	**8,472**	**4,784**

	Provision for employee benefits	Overpayments	Other provisions	Total
At 1 Apr 2021	**3,584**	**520**	**680**	**4,784**
Increase in provisions recognised as expense in period	5,144	149	-	5,293
Utilisation of provisions (-)	(1,153)	-	-	(1,153)
Reversal of provisions (-)	(286)	-	(166)	(452)
At 31 Mar 2022	**7,289**	**669**	**514**	**8,472**

	Provision for employee benefits	Overpayments	Other provisions	Total
At 1 Apr 2020	**2,076**	**-**	**5**	**2,081**
Increase in provisions recognised as expense in period	1,651	520	675	2,846
Utilisation of provisions (-)	-	-	-	-
Reversal of provisions (-)	(143)	-	-	(143)
At 31 Mar 2021	**3,584**	**520**	**680**	**4,784**

24. Note to the statement of cash flows

Transaction	Statement of comprehensive income	Foreign exchange differences on translation of movements in debt portfolios	Net foreign exchange differences in the statement of profit or loss	Statement of cash flows
Translation reserve	(2,431)	976	778	(677)

25. Financial risk management

The Kredyt Inkaso Group monitors and manages financial risk on an ongoing basis to eliminate the risk of occurrence of events that may have a negative impact on the organisation's operations. The Group manages the following risks:

- Credit risk,
- Liquidity risk,
- Market risk: interest rate risk,
- Market risk: risk of changes in statutory interest and interest rates quoted by the NBP,
- Market risk: foreign exchange risk,
- Market risk: risk of price changes.

25.1. Credit risk

The operations of the Group involve acquisition of credit risk from sellers of claims (original creditors). All purchased debt is subject to credit risk, thus the proper management of the risk is the key element of business.

The Group manages credit risk mostly at the stage of purchase of debt portfolios by ensuring their proper valuation and selection of portfolio components and characteristics. The value of a debt portfolio disclosed in the statement of financial position takes into account the underlying credit risk. Regularly, at the last day of each reporting period, the Group reviews the valuation of purchased debts using revenue projection based on historical data (present value of future cash flows). A zero value is assumed for debts of bankrupt, liquidated or other entities, which the Group expects not to generate any positive cash flows.

The value of debts is highly dispersed among debtors, but the Group's portfolio includes individual cases with a nominal value clearly standing out from that of typical cases. Thanks to the diversification of the value of debts into a high number of separate cases, it can be expected that actual revenue will not differ materially from anticipated.

Credit risk is the risk of financial loss to the Group if a customer or a counterparty fails to meet its contractual obligations.

Credit risk related to the purchased debt portfolios is relatively high, although the Group has the experience and advanced analytical tools necessary to estimate such risk. At the date of purchase of a debt portfolio, the Group assesses the portfolio's credit risk, which is then reflected in the price offered for the portfolio.

As the purchased debt portfolios are measured at amortised cost, the underlying credit risk is reflected in the portfolios' valuations at the end of each reporting period.

At each valuation date, the Group estimates the credit risk based on past inflows from a given portfolio as well as other portfolios with similar characteristics. The following parameters are also taken into account in the credit risk assessment:

- debt: outstanding amount, principal, principal to debt ratio, amount of credit granted or total amount of invoices, type of product, days past due (DPD), contract term, time elapsed from contract execution, collateral (existence, type, amount),
- debtor: age of debtor, status of debtor (natural person, natural person conducting business activity or legal person), income, place of residence, solvency, credit amount repaid so far / amount of invoices repaid so far, time elapsed from the last payment made by the debtor, region, debtor's death or bankruptcy, debtor's employment,

- past payment behaviour of the debtor, in particular: amounts and frequency of payments, and type and intensity of activities undertaken in respect of the debtor by the seller of debt before the purchase of the debt portfolio.

Changes of the credit risk assessment have an effect on the expected amount of future cash flows which are used as a basis of valuation of the purchased debt portfolios. The Group forecasts future cash flows from debt portfolios in the period of up to 180 months.

The Group minimises the risk by performing a thorough valuation of each portfolio before it is purchased, taking into account the likelihood of recovery of invested capital and the estimated costs of the collection process. The market value of a debt portfolio and its maximum selling price are determined based on a complex statistical and economic analysis. To minimise the risk associated with the purchased debt portfolios, benchmark analyses are made, among other things, of the quality of debt portfolios against other portfolios with similar characteristics of debtors representing the same industry and the valuation is based on an analysis of the effectiveness of debt collection actions compared with debt similar in nature. Proceeds are estimated based on a statistical model developed on the basis of available and selected reference data matching the valuation data. The maximum price is set based on the expected investment yield (mainly the internal rate of return, payback period, and nominal return).

	31 Mar 2022	31 Mar 2021
Non-current assets		
Receivables and loans	656	441
Other non-current financial assets	1,600	2,756
Current assets		
Trade and other receivables	7,936	8,777
Loans	29	29
Other current financial assets	587	460
Purchased debt	575,287	628,615
Cash and cash equivalents	98,223	74,041
Total credit risk exposure	**684,318**	**715,119**

Maturity structure of loans granted and trade and other receivables at the reporting date.

	Total	Not past due	from 1 to 30 days	from 31 to 60 days	from 61 to 90 days	from 91 to 180 days	from 181 to 365 days	more than 365 days
Non-current assets								
Receivables and loans	**656**	656	-	-	-	-	-	-
Current assets								
Loans	**29**	29	-	-	-	-	-	-
Trade and other receivables	**7,936**	7,867	9	2	1	-	-	57
Total	**8,621**	**8,552**	**9**	**2**	**1**	**-**	**-**	**57**

25.2. Liquidity risk

Expenditure on debt portfolio purchases is financed both from equity and from debt financing, the sources of which are bond issues and bank loans. If the Group's liquidity deteriorates, it is possible that it will be temporarily or permanently unable to repay previously contracted debt or that it will be in breach of its obligations under the financing agreements.

As part of the measures taken to manage liquidity risk, the Group conducts:

- planning and ongoing monitoring of financial flows,
- management of cash flows between Group entities,
- recovery of debts on a continuous basis, in accordance with the strategy adopted,
- an analysis of the possibilities of using external sources of financing.

To increase the effectiveness of equity, the Group also relies on external financing – mainly through the issue of bonds. In subsequent periods, the Company intends to continue using borrowings to support its further business growth and investments in debt portfolios.

The values of the Group's undiscounted cash flows of financial assets and liabilities at 31 March 2022 by maturity are presented below.

	Total	up to 1 month	from 2 to 3 months	from 4 to 12 months	from 1 year to 2 years	more than 2 years
Financial assets						
Non-current assets						
Other non-current financial assets	1,600	312	-	-	1,288	-
Receivables and loans	656	-	-	-	-	656
Current assets						
Trade and other receivables	7,936	7,936	-	-	-	-
Purchased debt*	1,080,423	19,471	38,294	151,807	190,809	680,042
Loans	29	29	-	-	-	-
Other current financial assets	587	587	-	-	-	-
Cash and cash equivalents	98,223	98,223	-	-	-	-
Total financial assets	**1,189,454**	**126,558**	**38,294**	**151,807**	**192,097**	**680,698**
Financial liabilities						
Debt securities – principal	244,374	75,769	2,787	14,552	25,528	125,738
Loans – principal	128,021	-	8,150	24,449	32,599	62,823
Debt securities – interest	65,871	2,242	1,315	14,154	13,660	34,500
Loans – interest	23,016	-	2,719	7,147	7,099	6,051
Trade payables	30,126	30,126	-	-	-	-
Lease	9,961	311	620	2,046	2,029	4,955
Derivative financial instruments**	3,861	-	-	3,861	-	-
Total financial liabilities	**505,230**	**108,448**	**15,591**	**66,209**	**80,915**	**234,067**
Liquidity gap	**684,224**	**18,110**	**22,703**	**85,598**	**111,182**	**446,631**
Accumulated liquidity gap		**18,110**	**40,813**	**126,411**	**237,593**	**684,224**

(*) ERC – Estimated Remaining Collections

(**) The item presents all cash flows related to derivative financial instruments

In the reporting period, similarly as in prior periods, the Group paid all its liabilities as they fell due. The received debt collections from a very large number of debtors constitute a stable and consistent source of monetary flows.

25.3. Market risk: interest rate risk

Interest rate risk affects the following financial instruments of the Group:

- cash,
- issued bonds and contracted loans,
- lease liabilities.

In regard to cash and lease liabilities, the impact of changes in interest rates on the Group's profit or loss or equity is negligible. The Group is exposed to significant interest rate risk in relation to issued bonds and contracted loans. The analysis of sensitivity of this group of financial instruments to interest rate changes is presented below.

The Group issues bonds that mostly bear floating interest (based on 6M WIBOR and 3M WIBOR). Any change in interest rate will have a significant bearing on the value of paid interest, and to some extent also on the valuation of bonds disclosed in the statement of financial position, which are measured at amortised cost.

In pursuance of its strategy of hedging against variable interest rate risk, the Group entered into interest rate swap (IRS) derivative transactions in the previous periods with a nominal value of PLN 600 million. The purpose of a hedging transaction was to achieve a financing profile with a fixed interest rate over the hedging period.

	31 Mar 2022	31 Mar 2021
Loans	127,913	128,845
Debt securities	239,554	317,886
Total	**367,467**	**446,731**
Hedging effect	(600,000)	(600,000)
Exposure to interest rate risk	**(232,533)**	**(153,269)**

A change of an interest rate by 300 basis points would increase (decrease) equity and profit before tax over the loan term by the amounts shown below. The following analysis is based on the assumption that other variables, in particular exchange rates, remain unchanged. The impact of such change on profit or loss for the reporting period and equity was presented based on the assumption that a concurrent and corresponding increase (decrease) in all market interest rates occurs at the beginning of the annual reporting period.

	Profit or loss of current period		Change in equity excluding profit or loss of current period	
	increase by 300bps	decrease by 300bps	increase by 300bps	decrease by 300bps
31 Mar 2022				
Financial assets with a variable interest rate	5,145	(5,287)	854	(653)
Financial liabilities with a variable interest rate	(1,010)	1,137	1,836	(1,846)

25.4. Derivative hedging instruments

As at the reporting date, the Group had open hedging relationships. The Group entered into interest rate swaps (IRS), where it paid a fixed interest rate and received a variable interest rate.

Float-to-fixed IRS in the currency of the hedged item was to serve as a cash flow hedge. As part of the transaction the Group:

- pays interest on the transaction notional amount at a fixed rate,
- receives interest on the transaction notional amount at a floating reference rate.

The Group assesses the economic relationship between the hedged item and the hedging instrument based on the matching of critical parameters, in particular

- consistency of notional amounts of the hedging instrument and the designated hedged item,
- consistency of interest periods/interest payment dates,
- consistency of the reference rate of the hedging instrument and the benchmark rate for the hedged item.

As the hedged item, the Group designated liabilities under bonds issued and the credit facility at ING Bank Śląski S.A. The Group assesses the economic relationship prospectively, with a frequency indicated in the document establishing the relationship.

Instrument	Nominal amount	Transaction rate (fixed interest rate)	Assets	Liabilities	Item in the statement of financial position	Changes in fair value
IRS	200,000	2.41%	-	1,958	Derivative financial instruments	6,670
IRS	200,000	2.28%	-	1,701	Derivative financial instruments	6,409
IRS	200,000	1.96%	2,902	-	Derivative financial instruments	10,986
		Total	**2,902**	**3,659**		**24,065**

The expected future cash flows from the executed hedging transactions are presented in the note on liquidity risk.

The effect of hedging instruments on the statement of financial position of the Group in the reporting period.

Interest transferred from other comprehensive income is charged to Finance costs – Interest expense on hedging instruments.

	Amount
Payments under settlement of hedging transactions recognised in the statement of cash flows	11,761
Hedging gains or losses of the reporting period that were recognised in other comprehensive income	3,199
Hedging effect recognised in the statement of profit or loss – finance income	9,105
Total	**24,065**

	Amount
Revaluation reserve at beginning of period	**(7,728)**
Effect of valuation of hedging transactions (effective part)	3,199
Interest transferred in the period from other comprehensive income to profit or loss	8,154
Income tax	(2,157)
Revaluation reserve at end of period	**1,468**

25.5. Market risk: foreign exchange risk

The Group is exposed to foreign currency risk arising from short-term receivables and payables, cash and cash equivalents, and capital expenditures. The table below presents the Group's exposure to foreign exchange risk by currency expressed in the Polish złoty, as at the reporting date.

	RON in PLN	BGN in PLN	RUB in PLN	EUR in PLN	HRK in PLN	Other currencies	Total in PLN
Short-term receivables	22,986	-	8,046	1,808	-	2,130	**34,970**
Cash	5	-	-	280	-	5	**290**
Purchased debt	60,190	-	290	-	-	-	**60,480**
Current liabilities	(4,535)	-	-	(159)	-	(21)	**(4,715)**
Total	**78,646**	**-**	**8,336**	**1,929**	**-**	**2,114**	**91,025**

Exposure of net assets in foreign subsidiaries to foreign exchange risk by currency expressed in the Polish złoty, as at the reporting date.

	RON in PLN	BGN in PLN	RUB in PLN	HRK in PLN	Total in PLN
Net assets in foreign subsidiaries	(1,453)	33,660	8,010	(1,699)	38,518

Analysis of the impact of potential changes in carrying amounts of financial instruments on the profit or loss before tax and equity (exchange differences) in connection with the hypothetical change of exchange rates of material foreign currencies relative to the presentation currency (PLN) as at the reporting date.

	exchange rate change	profit/(loss) before tax	equity – translation reserve
RON/PLN	+/-1%	786	15
BGN/PLN	+/-1%	-	337
RUB/PLN	+/-1%	83	80
EUR/PLN	+/-1%	19	17

26. Capital management

The main objective behind the Group's capital management is to maintain the ability to continue as a going concern, taking into account investment plans, while generating returns to shareholders and benefits for other stakeholders.

The key indicator used by the Group to monitor equity and debt is the ratio of consolidated net financial debt to consolidated equity.

Net financial debt is calculated as financial debt less cash. Financial debt is defined as liabilities under loans and other sources of funding and guarantees, and lease liabilities. To calculate covenants for certain series of bonds issued by the Company, financial debt also includes loss on derivative instruments.

The calculation of net financial debt and the ratio of consolidated net financial debt to consolidated equity is detailed below.

	31 Mar 2022	31 Mar 2021
Loans and other debt instruments	370,962	446,731
Lease	8,615	7,813
less: cash and cash equivalents	(98,223)	(74,041)
Net financial debt	**281,354**	**380,503**
Equity	**300,587**	**263,382**
Net financial debt / equity	**0.94**	**1.44**

27. Significant related-party transactions

27.1. Related-party transactions

27.1.1. Trading transactions

The Group entered into the trading transactions with related entities:

	1 Apr 2021-31 Mar 2022		1 Apr 2020-31 Mar 2021	
	Revenue	Costs	Revenue	Costs
Cost of advisory services				
WPEF VI HOLDING V B.V.	-	276	-	271
Total	**-**	**276**	**-**	**271**

Advisory services are provided under an agreement executed by the Company with WPEF VI HOLDING V B.V. on 31 March 2017 and include advice to the parent and all subsidiaries in the Kredyt Inkaso Group regarding financial analyses and projections, reporting processes, capital management, risk management, corporate finance, business strategy, potential acquisitions (M&A), and investor relations. The agreement was executed for a period until 31 December 2017 and is automatically renewed for subsequent annual periods. Each party may terminate it at least 90 days before the commencement of the next calendar year. Under the agreement, the list of persons designated to perform advisory activities and obtain confidential information includes Mr Daniel Dąbrowski, Member of the Supervisory Board.

27.2. Loans advanced to key members of staff and related persons

None.

27.3. Transactions with key personnel

27.3.1. Remuneration of the Management Board

The remuneration of key management personnel of the parent and the Group subordinates is set out below.

	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Base pay/management contract (gross)	3,692	3,659
Other – medical benefits and other	116	239
Total	**3,808**	**3,898**

27.3.2. Remuneration of the Supervisory Board

	1 Apr 2021-31 Mar 2022	1 Apr 2020-31 Mar 2021
Remuneration of the Supervisory Board	389	357
Total	**389**	**357**

Rules of remuneration of the Supervisory Board:

- Members of the Supervisory Board are entitled to monthly remuneration in the amount of one-third of the average monthly remuneration in the enterprise sector (net of bonuses paid out from profit) (according to Statistics Poland).
- The Chairman of the Supervisory Board is entitled to a special duty allowance in the amount of the average monthly remuneration in the enterprise sector (net of bonuses paid out from profit).
- Other members of the Supervisory Board are entitled to the following allowances:
  - for membership in the audit committee – one-third of the average monthly remuneration in the enterprise sector (net of bonuses paid out from profit)
  - for serving as secretary of the Supervisory Board – one-third of the average monthly remuneration in the enterprise sector (net of bonuses paid out from profit)
  - for serving as Deputy Chairperson of the Supervisory Board – one-third of the average monthly remuneration in the enterprise sector (net of bonuses paid out from profit) in the period when the Chairperson of the Supervisory Board does not carry out their function
- Members of the Supervisory Board are not entitled to any remuneration, if they file a waiver of remuneration.
- In a given month, Members of the Supervisory Board are entitled to remuneration and special duty allowance in the amount corresponding to the proportion of the number of meetings which they attended to the total number of the Supervisory Board's meetings in that month.
- In a given month, a member of the Audit Committee is entitled to allowance for membership in the Audit Committee in the amount corresponding to the proportion of the number of meetings which they attended to the total number of the Audit Committee's meetings in that month.
- Remuneration and allowances are also payable when no meetings were held in a given month.

28. Employment at the Group

	31 Mar 2022		31 Mar 2021	
	FTEs	number of staff	FTEs	number of staff
Average headcount for 12 months	531	537	550	557
Headcount at the reporting date	534	537	528	537

29. Remuneration of auditors

Fees due for the financial year ended on:	31 Mar 2022	31 Mar 2021 restated
Review of the half-year consolidated financial statements	93	89
Audit of the full-year consolidated financial statements	201	144
Consolidated financial statements	**294**	**233**
Review of the half-year separate financial statements	34	34
Audit of the full-year separate financial statements	71	71
Separate financial statements	**105**	**105**
Additional services	**52**	**11**
Total	**451**	**349**

30. Contingent liabilities, guarantees, sureties and security interests over the Group's assets

30.1. Security for the credit facility agreement with ING Bank Śląski S.A.

Pursuant to:

(i) the credit agreement dated 23 November 2017, together with Supplementary Agreement No. 1 dated 21 May 2018, Supplementary Agreement No. 2 dated 14 September 2018 and Supplementary Agreement No. 3 dated 27 November 2019, signed by the subsidiary Kredyt Inkaso II NSFIZ with ING Bank Śląski S.A., and
(ii) the credit agreement dated 21 May 2018, together with Supplementary Agreement No. 1 dated 15 September 2018 and Supplementary Agreement No. 2 dated 27 November 2019, signed by the subsidiary Kredyt Inkaso I NSFIZ with ING Bank Śląski S.A.,

Kredyt Inkaso I NSFIZ and Kredyt Inkaso II NSFIZ provided security in favour of the Bank by way of conditional transfer of receivables constituting collateral, under a conditional agreement on transfer of receivables under specified commercial contracts, so that the total value of collateral constituted not less than 150% of the amount of the credit limit used by each of those subsidiaries.

The credit facility agreements referred to above were jointly superseded with Supplementary Agreement No. 3 of 31 December 2020 and subsequent Supplementary Agreement No. 4 of 22 March 2022 and No. 5 of 15 April 2022, which specify, among other things, that Kredyt Inkaso I NSFIZ and Kredyt Inkaso II NSFIZ provided security to the Bank for the granted credit facility by way of a conditional transfer of receivables, under and in accordance with conditional agreements on transfer of receivables under specific commercial contracts, so that the total value of receivables constituting collateral constitutes not less than 150% of the amount of the credit limit used. As at the reporting date, the required collateral for Kredyt Inkaso I NS FIZ was: PLN 118,508 thousand and for Kredyt Inkaso II NS FIZ – PLN 73,523 thousand. In addition, on the date of disbursement of the facility tranche on 31 December 2020 Kredyt Inkaso II NS FIZ was obliged to deliver debt portfolios with a total value of no less than PLN 80,000 thousand as part of the collateral.

30.2. Bond issue security

On 26 April 2019, the Company issued Series F1 bonds with a total nominal value of PLN 210 million. In accordance with the terms and conditions of the bonds, bondholders' claims under the Bonds were secured by standard security interests, including pledges over debt portfolios and investment certificates disclosed in the Company's and its subsidiaries' statement of financial position or over other assets of the Company.

The minimum amount of security over debt portfolios increased consistently until it reached the limit of PLN 200 million, as of 26 April 2021, and subsequently 150% of the outstanding nominal value of the Bonds as of 26 April 2022.

As at the reporting date, the minimum amount of collateral over the Company's assets had reached its maximum value, i.e. PLN 150 million. This was the amount in which a pledge was created over bonds issued by Kredyt Inkaso Portfolio Investments (Luxembourg) S.A. The created collateral will secure the claims of holders of other series of bonds, for which the terms and conditions of the bonds contain a clause on equal treatment of creditors (pari passu).

On 26 April 2022, the Company made an early redemption of all Series F1 bonds by paying the nominal value of the bonds together with interest.

In addition, on 28 March 2022 the Company issued Series K1 bonds with a total nominal value of PLN 103 million. In accordance with the terms and conditions of the bonds, the bonds were issued as unsecured and had such status as at the reporting date. In turn, in accordance with the terms and conditions of the bonds bondholders' claims under the bonds were covered by collateral established after the issue date through standard security interests, including registered pledges under the Polish law or foreign law over debt portfolios and investment certificates disclosed in the Company's and its subsidiaries' statement of financial position or over other assets of the Company. The total value of security after 26 April 2022 should not be less than 150% of the current nominal value of the bonds.

The table below presents the carrying amounts of security provided for the issues of bonds established on the Group's assets.

Type of securing asset	31 Mar 2022	31 Mar 2021
Debt portfolios	205,722	224,428

30.3. Purchase of debt portfolios

On 1 March 2022, the Group's fund executed an agreement to purchase debt under consumer loans in the form of eight monthly tranches with the first tranche purchased on 1 March 2022. In accordance with the agreement the Group is to purchase unconditionally the submitted debt that fulfils the criteria set out in the agreement. The maximum amount of debt to be purchased was agreed at PLN 35 million, with an option to be increased at the consent of the fund.

31. Court, enforcement, tax and other proceedings

31.1. Court and enforcement proceedings

The Group's business model involves purchasing debt portfolios resulting from the sale of universal services (usually from several thousand to even tens of thousands of claims in a portfolio) and pursuing their payment through legal process. As part of the Group's business it has a large number of court cases and enforcement proceedings conducted by bailiffs. However, due to the relatively small amounts of the debts, there is no risk of concentration (of one or more bad debts, i.e. with characteristics significantly worse than those calculated).

As at the Authorisation Date, there were pending proceedings instigated by the Parent against joint and several defendants: Best S.A. with its registered office in Gdynia and Mr Krzysztof Borusowski ("Defendants", "Statement of Claim"). In the Statement of Claim the Company demands:

- that PLN 60,734,500 with statutory interest, calculated from the date of filing the claim until the date of payment, be paid by the joint and several Defendants to the Company,
- that the litigation costs, according to the prescribed norms, be awarded from the joint and several Defendants to the Company, unless a bill of costs is filed at the last hearing.

The amount claimed results from the Company's claim against the Respondents for redress of damage inflicted on the Company due to dissemination by the Respondents of untrue and defamatory information: concerning the Company's Management Board, alleged irregularities at the Company, alleged falsification of financial statements and lack of authorisation of the Company's Management Board to act on its behalf, which in the Company's opinion was the direct cause of termination by Lumen Profit 14 Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ("Lumen Profit 14 NS FIZ"), Lumen Profit 15 Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ("Lumen Profit 15 NS FIZ"), Lumen Profit 16 Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ("Lumen Profit 16 NS FIZ"), AGIO Wierzytelności Plus Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ("AWP NS FIZ") and AGIO Wierzytelności Plus 2 Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty ("AWP 2 NS FIZ") of agreements on debt portfolio management and agreements on the provision of legal services executed with the Company.

The amount of the claim is the sum of the actual losses incurred by the Company and the estimated lost profit in future years, as reported by the Company in Current Report No. 57/2016 of 10 August 2016, and additionally the estimated lost profit resulting from, inter alia, termination of the management agreements by Lumen Profit 14 NS FIZ, Lumen Profit 15 NS FIZ, and Lumen Profit 16 NS FIZ.

The Company communicated the reasons for and the impact of the termination of the aforementioned agreements on the Company's financial position, including in particular the loss of further systematic income as well as the possibility of the Company going to court to seek damages, in the Consolidated Quarterly Report for Q1 of the 2016/2017 financial year published on 12 August 2016.

In addition, there are pending court proceedings involving: Best S.A., Krzysztof Borusowski (President of the Management Board of Best S.A.), Karol Szymański (member of the Supervisory Board), the Management Board of the Company, and the Company itself. The above proceedings result from the following, among other things:

- action of Best S.A. for revoking the resolutions of the Annual General Meeting against which it filed an objection, i.e.: (i) Resolution No. 12/2016 to approve the Management Board's report on the operations of Kredyt Inkaso S.A. and separate financial statements of Kredyt Inkaso S.A. for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (ii) Resolution No. 13/2016 to approve the Management Board's report on the operations of the Group and consolidated financial statements of the Group for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (iii) Resolution No. 15/2016 to grant discharge to a member of the Management Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (iv) Resolution No. 16/2016 to grant discharge to a member of the Management Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (v) Resolution No. 17/2016 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (vi) Resolution No. 18/2016 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (vii) Resolution No. 19/2016 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (viii) Resolution No. 20/2016 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (ix) Resolution No. 21/2016 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016, (x) Resolution No. 22/2016 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016 (Current Report No. 93/2016), (xi) Resolution No. 7/2017 to grant discharge to a member of the Management Board, (xii) Resolution No. 8/2017 to grant discharge to a member of the Management Board, (xiii) Resolution No. 9/2017 to grant discharge to a member of the Management Board, (xiv) Resolution No. 14/2017 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2016 and ending on 31 March 2017, (xv) Resolution No. 15/2017 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2016 and ending on
- 31 March 2017 (Current Report No. 65/2017); On 14 May 2021, the Regional Court in Warsaw, 20th Commercial Department, issued a decision to discontinue the proceedings with respect to Resolutions No. 15/2016 and 7/2017 due to the irrelevance of further proceedings with respect to these resolutions, given that the Company's Annual General Meeting adopted Resolution No. 17/2020 of 27 November 2020 to amend the resolutions on granting discharge to the former Management Board Member referred to above, under which the discharge granted to him for the periods indicated above were revoked;
- action by a member of the Company's Supervisory Board – Mr Karol Szymański, for revocation of the resolution of the Annual General Meeting of the Company of 27 September 2017, i.e. Resolution No. 10/2017 to grant discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2016 and ending on 31 March 2017 (Current Report No. 9/2018); On 14 October 2021, the Regional Court dismissed the Supervisory Board member's action, but the ruling was not final (Current Report No. 50/2021);
- action of Best S.A. for revoking the resolutions of the Annual General Meeting against which it filed an objection, i.e.: (i) Resolution No. 4/2018 to approve the separate financial statements of Kredyt Inkaso S.A. for the financial year beginning on 1 April 2017 and ending on 31 March 2018, (ii) Resolution No. 5/2018 to approve the consolidated financial statements of the Group for the financial year beginning on 1 April 2017 and ending on 31 March 2018, (iii) Resolution No. 6/2018 to approve the Management Board's report on the operations of the Company and the Group for the financial year beginning on 1 April 2017 and ending on 31 March 2018 (Current Report No. 56/2018);
- action by Best S.A. of 9 January 2019 for the payment of PLN 51,847,764 jointly and severally by the Company, Paweł Szewczyk, Jan Paweł Lisicki and Grant Thornton Frąckowiak spółka z ograniczoną odpowiedzialnością sp. k., whereby in relation to Grant Thornton Frąckowiak spółka z ograniczoną odpowiedzialnością sp. k. the claimant limits the

demand to PLN 2,260,000 and the litigation costs, including the costs of legal representation according to the prescribed norms. This action arises from the alleged damage caused to BEST S.A. by the defendants as a result of the purchase of shares in the Company at an inflated price determined on the basis of the Company's financial statements for the 2014/2015 financial year, which were corrected in subsequent fiscal years. Kredyt Inkaso S.A. recognises the claim of BEST S.A. as unfounded, as informed in Current Report No. 8/2019;

- action by Best S.A. of 28 June 2019 for the establishment of invalidity or revocation of Resolution No. 4/2019 of the Extraordinary General Meeting of Kredyt Inkaso S.A. of 30 May 2019 to approve transactions encumbering the Company's assets or the assets of other entities of the Company's Group in connection with the issue of Series F1 bonds by the Company. The Company deems the request stipulated in the statement of claim as unfounded and intends to defend against it in court proceedings (Current Report No. 34/2019);
- action by the Company against Paweł Szewczyk, Ion Melnic and KI Servcollect SRL seeking the award jointly and severally against the Defendants of PLN 21,320,000.00 as redress for indirect damage suffered by the Company in connection with the actions of the Defendants, together with statutory interest from 26 May 2020 until the date of payment, PLN 30,000.00 as reimbursement of costs incurred by the Company for the preparation of a private opinion of an expert business appraiser, together with statutory interest from the date of delivery of a copy of the statement of claim to the last of the Defendants until the date of payment, and PLN 44,000.00 as reimbursement of costs of preparing sworn translations of the statement of claim and part of appendices thereto, together with statutory interest from the date of delivery of a copy of the statement of claim to the last of the Defendants until the date of payment. Along with the action, the Company filed a request to grant injunctive relief (Current Report No. 13/2020). The Company's injunction request was dismissed by the Court and in connection with the rejection of the complaint submitted by the Company's proxy by the Court of second instance, the decision should be deemed as final;
- action by John Harvey van Kannel against the Company to (i) establish the existence of a resolution on removal of Maciej Jerzy Szymański from the Management Board of the Company, and (ii) declare the invalidity of Resolution No. 38/2020 of the Annual General Meeting of the Company of 27 November 2020 on the appointment of Daniel Dąbrowski as member of the Supervisory Board of the Company for a new term of office. The injunction request in this case was dismissed in its entirety with a final decision, which was communicated by the Company in its Current Report No. 11/2021 of 29 April 2021. The Company deems the requests stipulated in the statement of claim as completely unfounded and intends to defend against them by actively participating in court proceedings (Current Report No. 26/2021);
- action by John Harvey van Kannel against the Company to declare the invalidity of Resolution No. 12/2021 of the Extraordinary General Meeting of the Company of 24 May 2021 on the appointment of Daniel Dąbrowski as member of the Supervisory Board of the Company, which was communicated by the Company in its Current Report No. 31/2021 or 23 August 2021. The Company deems the request stipulated in the statement of claim as completely unfounded and intends to defend against it by actively participating in court proceedings;
- action by two members of the Supervisory Board to revoke the resolution of the group of shareholders entitled to appoint members of the Supervisory Board by block voting No. 13/2021 of the Company's Extraordinary General Meeting of 24 May 2021 on the appointment of Karol Szymanski as Member of the Company's Supervisory Board for a new term of office and his delegation to individually perform supervisory duties on a permanent basis. The Company intends to actively participate in court proceedings (Current Report No. 53/2021).

31.2. Administrative proceedings

On 30 September 2013, Kredyt Inkaso S.A. concluded a Sub-Participation Agreement with Kredyt Inkaso Portfolio Investments (Luxembourg) S.A. (hereinafter: "Agreement" and "Sub-Participant", respectively). The tax consequences of entering into the Agreement covered the tax years from 1 April 2013 to 31 March 2014, from 1 April 2014 to 31 March 2015 and from 1 April 2015 to 31 March 2016. The subject matter of the Agreement was the acquisition by the Sub-Participant of the exclusive right to cash flows from the receivables understood as proceeds from repayments of debt and charges for costs and expenses. Pursuant to the Agreement, Kredyt Inkaso S.A. transferred to the Sub-Participant the exclusive right to cash flows from receivables comprising the debt portfolio specified in the appendix to the Agreement (hereinafter: "Debt Portfolio"). In return for the transfer of the right to cash flows from the receivables, the Sub-Participant undertook to pay a price to Kredyt Inkaso S.A. The price was settled by the Sub-Participant on 13 June 2014.

On 12 April 2016, Kredyt Inkaso S.A. applied for a tax ruling in that matter. In the tax ruling of the Director of the Tax Chamber in Warsaw of 21 July 2016, ref. IPPB3/4510-418/16-3/JBB ("Tax Ruling") issued in response to the request submitted by Kredyt Inkaso S.A., it was indicated that: - "Thus, Kredyt Inkaso S.A. should recognise tax income on account of the price on a cash basis, i.e. on the date of receipt of the payment – in the case in question, on the date of payment of the Price by deducting it from Kredyt Inkaso S.A.'s liability on account of the acquisition price for bonds issued by the Sub-Participant. (…) On the other hand, by transferring to the Sub-Participant, in accordance with the provisions of the sub-participation agreement, amounts constituting proceeds from debt portfolios, Kredyt Inkaso S.A. will be entitled to treat the transferred amounts as tax deductible expenses and recognise them in the tax account as they are incurred", - "the position of Kredyt Inkaso S.A. assuming no income recognised on account of debt repayment (previously purchased from the original debtor) (...) is incorrect. One cannot agree with Kredyt Inkaso S.A.'s claim that exclusion of the receivables in question from the balance sheet may determine tax qualification of a given capital gain", - "The discussed expenses, i.e. the purchase price and Direct Collection Expenses which were incurred by the Company until the conclusion of the sub-participation agreement are directly related to debt (their purchase and collection) being the subject of the sub-participation agreement and not to the event of transferring the rights to cash flows from receivables to the Sub-Participant. (…) Thus, these expenses will be deductible expenses of a direct nature when the debtors make repayments of those debts or when those debts are sold."

After delivery of the tax ruling, Kredyt Inkaso S.A. decided to comply with it, which resulted in the need to file corrections of CIT-8 tax returns for the tax years: from 1 April 2013 to 31 March 2014, from 1 April 2014 to 31 March 2015 and from 1 April 2015 to 31 March 2016, and payment of the corporate income tax together with interest. At the same time, in its letter of 17 October 2016 the Company filed a complaint against the tax ruling to the Provincial Administrative Court in Warsaw ("Provincial Administrative Court"). In its decision of 22 November 2017 the Provincial Administrative Court revoked the ruling (ref. III SA/Wa 3503/16, "Provincial Administrative Court's Decision"). The tax authority filed a cassation appeal within the specified time limit and the case was referred to the Supreme Administrative Court. By its decision of 8 October 2020 (ref. II FSK 1615/18) the Supreme Administrative Court dismissed the Provincial Administrative Court's Decision and remanded the case back to the Provincial Administrative Court. In its decision of 27 April 2021 the Provincial Administrative Court revoked the ruling (ref. III SA/Wa 597/21, "Provincial Administrative Court's Second Decision"). On 22 June 2021, Kredyt Inkaso S.A. received written reasons for the Provincial Administrative Court's Second Decision. Its substance confirms the correctness of the Company's position presented in its request for a Tax Ruling. Notwithstanding the above, the Company maintains the claim that procedural rules were breached in the course of issuing the Tax Ruling, as described in detail in the complaint dated 17 October 2016. Accordingly, on 22 July 2021 the Company filed a cassation appeal with the Supreme Administrative Court against the Provincial Administrative Court's Second Decision. In addition, on 11 August 2021, the Company received a copy of the tax authority's cassation appeal to the Supreme Administrative Court against the Provincial Administrative Court's Second Decision. By its decision of 10 December 2021 (ref. II FSK 1143/21) the Supreme Administrative Court dismissed the Provincial Administrative Court's Second Decision on procedural grounds and remanded the case back to the Provincial Administrative Court. In its decision of 27 April 2022 the Provincial Administrative Court dismissed the appeal filed by Kredyt Inkaso S.A. (ref. III SA/Wa 485/22, "Provincial Administrative Court's Third Decision"). On 9 June 2022, Kredyt Inkaso S.A. received written grounds to the Provincial Administrative Court's Third Decision. Its substance confirms that the tax authority, when issuing the Tax Ruling, violated the principle of issuing a tax ruling only on the basis and within the limits of the relevant request. However, in the opinion of the Provincial Administrative Court, the violation did not affect the outcome of the case. Referring to the core dispute in the case (i.e. the date of recognition of tax income on the price of the sub-participation agreement in question), the Provincial Administrative Court highlighted that the Supreme Administrative Court, by setting aside the Provincial Administrative Court's Second Decision, did not make any final resolution on the matter, leaving it to the judgement of the Provincial Administrative Court. In dismissing the complaint, the Provincial Administrative Court also indicated that it did not share the position of the Supreme Administrative Court in a similar case (ref. II FSK 3299/17), which essentially confirmed the position of Kredyt Inkaso S.A. Therefore, in the opinion of the Provincial Administrative Court this ruling by the Supreme Administrative Court did not apply in the case in question. Having analysed the Provincial Administrative Court's Third Decision, Kredyt Inkaso S.A. intends to file a cassation appeal to the Supreme Administrative Court within the statutory time limit.

31.3. Inspections

In the reporting period, there were no significant audits or inspections, including those concerning the audit completed by the Polish Financial Supervision Authority on 30 September 2019 with regard to management of securitised debt.

32. Material events after the reporting period

- On 24 February 2022, the armed forces of the Russian Federation invaded Ukraine. In the period after the reporting date and before the issue of these financial statements, the military activities were still ongoing. The Group continuously monitors their impact on its business.
- In March and April 2022, the Group issued three series of bonds (I1, J1, K1) while redeeming, in whole or in part, Series F1, PA02, G1, B1 and H1 bonds. This way, it optimised the structure of its financing in the long term.
- On 25 April 2022, the Extraordinary General Meeting appointed Marcin Okoński, Bogdan Dzudzewicz, Daniel Dąbrowski, Karol Sowa and Karol Maciej Szymański as Members of the Supervisory Board. On 10 May 2022, the Supervisory Board assigned functions as follows: Bogdan Dzudzewicz was appointed as Chairman, Marcin Okoński as Deputy Chairman, and Karol Sowa as Secretary. On the same day, the Company's Supervisory Board appointed Audit Committee and resolved that it be composed of three persons. The following persons were appointed to the Committee: Marcin Okoński as its Chairman, Daniel Dąbrowski and Karol Maciej Szymański.
- On 11 May 2022, Mr Tomasz Kuciel tendered his resignation as Member of the Company's Management Board with effect from 11 July 2022. Tomasz Kuciel cited personal reasons for his resignation.

33. Factors and events, including of a non-recurring nature, with a material bearing on the financial statements

33.1. The COVID-19 pandemic

The COVID-19 pandemic caused by a highly infectious SARS-CoV-2 coronavirus, which broke out in December 2019 and then spread to other countries quickly and in a large scale, significantly altered the functioning of economies of countries around the world in a matter of months. Due to the high infection rate of the SARS-CoV-2 coronavirus, on 11 March 2020 the World Health Organisation (WHO) declared a pandemic of COVID-19. For about two years, the pandemic was one of the most significant factors that had to be taken into account in business activities. As the vaccination campaign progressed and the impact of successive strains of the virus gradually decreased, the significance of the COVID-19 threat among the business risks recognised by the Group dropped. While the Company's Management Board notes the permanent change in the work model caused by the pandemic, as at the date of release of this report it did not perceive SARS-CoV-2 itself as a factor that had a material impact on the financial statements.

33.2. Invasion of Ukraine by Russia

On 24 February 2022, the armed forces of the Russian Federation entered the territory of Ukraine, starting military hostilities in the region. Russia's aggression has triggered a range of sanctions primarily from European countries, the United States, Japan and Australia. The Russian Federation responded with counter-sanctions and a series of internal formal and informal measures. Informal activities mostly include stepped-up propaganda against so-called Western countries and their interests in Russia, as well as the use of administrative tools (primarily various forms of inspection) in a way that impedes normal operations and damages the sense of comfort among personnel members. Formal measures include passing a law that is unfavourable to the operations of foreign-owned companies (e.g. taking over so-called abandoned companies, lack of intellectual property protection, etc.) or that prevents normal operations (e.g. impedes transfer of funds abroad). In the case of KI RUS, the court enforcement channel was blocked for several days and it cannot be ruled out that similar situations may occur in the future.

The impact of the hostilities on the subsidiary KI RUS has been discussed with the assumption that the Group and its subsidiaries will continue as going concerns. From the Group's perspective, operations in the Russian market are not strategically important both in terms of the value of debt portfolios and collections from debtors. Since 2018, the Group has not made any investments there and its current operations are based on aging portfolios. Nonetheless, the subsidiary continues to have the capacity to finance itself.

In the Management Board's opinion, the outlook of developments in Russia is negative. Based on the scenario assuming reduced collections from its portfolios, the Group adjusted the value of debt portfolios subject to the Russian market risk by PLN 7.7 million, which reduced the value of the portfolios to PLN 3.6 million, representing 0.6% of the total value of all portfolios held by the Group. An impairment test of goodwill allocated to KI RUS based on the same scenario resulted in an impairment loss of PLN 4.9 million. In total, PLN 12.6 million of impairment losses related to KI RUS and resulting from Russia's war in Ukraine was recognised in the statement of profit or loss. These impairment losses have a non-cash effect.

As regards other geographic locations, the Group did not identify any significant change in collections under portfolios that may be attributed to the war. Similarly, the Group's liquidity is stable. In the case of debt financing, an increase in market interest rates is observed, caused by rising inflation, which in turn is indirectly attributable to the actions of the Russian Federation (military activity and activity in commodity markets).

34. Other information relevant to the assessment of the staffing levels, assets and financial standing

No other events relevant to the assessment of the staffing levels, assets and financial standing occurred in the reporting period.

35. Authorisation for issue

These full-year consolidated financial statements for the period from 1 April 2021 to 31 March 2022, along with comparative information, were authorised for issue by the Parent's Management Board on 29 June 2022 ("Authorisation Date").

President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board
Maciej Szymański	Barbara Rudziks	Iwona Słomska	Tomasz Kuciel

Head of Consolidation
and Statutory Reporting Division

Jakub Cąber